PROPOSED SANCTIONS ON THE REPUBLIC OF SOUTH AFRICA

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

JUNE 9, 1988

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PROPOSED SANCTIONS ON THE REPUBLIC OF SOUTH AFRICA

THURSDAY, JUNE 9, 1988

House of Representatives,
Committee on Ways and Means,
Subcommittee on Trade,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:10 p.m., in room 1302, Longworth House Office Building, Hon. Sam M. Gibbons (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
THURSDAY, JUNE 2, 1988

SUBCOMMITTEE ON TRADE #21
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A PUBLIC HEARING ON H.R. 1580, A BILL RELATING TO PROPOSED SANCTIONS AGAINST SOUTH AFRICA

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee will hold a public hearing on Thursday, June 9, 1988, to examine the issue of imposing additional economic sanctions against South Africa. The hearing will be held in room 1302 Longworth House Office Building, beginning at 1:00 p.m.

The United States and a number of South Africa's other trading partners have imposed limited sanctions against South Africa since 1985. In 1986, Congress enacted the Comprehensive Anti-Apartheid Act (Public Law 99-440). That Act imposed restrictions on trade with, and new investment in, South Africa; called for multilateral measures to undermine apartheid; and, in general, aimed at pressuring the South African government to end its policy of apartheid.

Since the bill's enactment, proposals have been developed to strengthen the economic sanctions on South Africa. One such proposal is H.R. 1580, sponsored by Congressman Ronald V. Dellums (D., Calif.), and others. This bill would prohibit: U.S. investment in South Africa; U.S. imports except for certain strategic minerals; most U.S. exports; landing rights for South African aircraft; bank deposits in the United States by the Government of South Africa or its agencies; and U.S. military or intelligence cooperation with the government. The bill also would authorize the President to limit imports from any other country which benefits from or takes commercial advantage of any prohibition imposed by the bill. Enforcement authority and penalties for violation also are provided by H.R. 1580. Finally, H.R. 1580 would repeal the Comprehensive Anti-Apartheid Act of 1986.

The Committee on Foreign Affairs favorably reported H.R. 1580 with amendments on May 20. The amendments adopted by that committee, in general, would expand the list of items exempted from the import and export ban (e.g., to exempt publications; imports from black-owned enterprises; exports of medical supplies, agricultural commodities, goods shipped under contract by a date certain, or provided under charitable or human assistance programs). They would prohibit U.S. involvement in the South African energy sector, including the transportation of oil or oil products; prohibit U.S. nuclear assistance; mandate multilateral measures to undermine apartheid; and mandate a ban on U.S. importation and U.S. Government contracting with any foreign person taking significant commercial advantage of the U.S. prohibitions. The amendments also would establish an interagency coordinating committee on South Africa; require various reports; and establish a sense of the Congress calling for the closure of two South African consulates and a limitation on U.S. visas for travel to South Africa. The amendments by the Committee on Foreign Affairs amend, but do not repeal, the Comprehensive Anti-Apartheid Act of 1986.

The Subcommittee on Trade hearing is intended to solicit comments on the effects of such proposals, including those developed by the Committee on Foreign Affairs, on U.S. economic interests. The Subcommittee also is interested in the presentation of views on the consistency of any sanctions with our obligations under the General Agreement on Tariffs and Trade and other agreements.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

Requests to be heard must be made by telephone to Harriett Lawler or Diane Kirkland [telephone (202) 225-1721] by close of business, Tuesday, June 7, 1988. The telephone request should be followed by a formal written request to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515. The Subcommittee staff will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee office [(202) 225-3943].

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony are not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are requested to briefly summarize their written statements. The full statement will be included in the printed record.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 200 copies of their prepared statements to the Subcommittee on Trade office, room 1136 Longworth House Office Building, at least 24 hours in advance of their scheduled appearances. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Persons submitting a written statement in lieu of a personal appearance should submit six (6) copies of their statements by the close of business, Monday, June 13, 1988, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing a written statement for the record of the printed hearing wish to have their statements distributed to the press and the interested public at the hearing, they may provide 75 additional copies for this purpose to the Subcommittee office, room 1136 Longworth House Office Building, prior to the start of the public hearing.

SEE FORMATTING REQUIREMENTS BELOW:

COMMITTEE ON WAYS AND MEANS FORMATTING REQUIREMENTS FOR PRINTING OF HEARING STATEMENTS. WRITTEN COMMENTS AND EXHIBITS

Each statement presented for printing to the Committee by a witness. any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will **not** be printed. but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead. exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or. for written comments. the name and capacity of the person submitting the statement. as well as any clients or persons. or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name. full address. a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members. the press and public during the course of a public hearing. may be submitted in other forms.

* * * * * * * * * *

Chairman GIBBONS. The hearing will come to order.

This is a hearing of the Ways and Means Subcommittee on Trade to consider the question of imposing additional economic sanctions against South Africa.

The United States imposed restrictions on trade and investment with South Africa in 1986. The purpose of those sanctions was to pressure the South African Government to end its policy of apartheid. Since that time, proposals have been made to tighten existing sanctions, in order to put even more pressure on that government.

The Subcommittee on Trade is interested in hearing testimony about the likely impact of these proposals; specifically, the direct and third-country import sanctions—on South Africa and on U.S. trade relations with third countries, and on our international obligations under the GATT and other agreements. We have a number of witnesses here today who are highly qualified to help us answer some of these questions.

Our first witnesses are our highly respected colleagues, Mr. Rangel and Mr. Wolpe.

Mr. Rangel, you may proceed as you wish.

STATEMENT OF HON. CHARLES B. RANGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. RANGEL. Mr. Chairman, in all of the years that I have worked with you, I have never seen us so far apart, at least physically, than the distance they have between us today.

Chairman GIBBONS. That is right. [Laughter.]

Mr. RANGEL. I thank my distinguished friend and colleague from Illinois for joining with this hearing, and I welcome and accept the invitation for me to be able to sit with you.

This H.R. 1580, I think, is one great opportunity, Mr. Chairman, for us to make certain that when the vote is taken as to which side America was on for those people seeking liberty and freedom, that we can say that we may not have made the difference, but we want the record to be made abundantly clear that America was on the side of those seeking freedom and justice.

I think it is safe to say that at the present time South Africa is on the brink of a bloody racial war. And, of course, we in America are frustrated as to what role we can play. I think if we take a look at the independent countries in Africa, America's foreign policy is one that we cannot be particularly proud of, because somehow we have always sided with the colonial powers and allowed the Soviets, in their mumbling and bumbling way, to be on the side for whatever motivation of those that are seeking freedom.

Fortunately, we have not suffered in that because America has always been admired for what they really stand for, but we do have an opportunity now to let the whole world, not just the racist regime in South Africa, what side that we want to be counted on.

South Africa has become rigid and uncompromising in their position in support of apartheid. They have rejected the so-called concept of constructive engagement by rounding up innocent people, not even charging them with crimes, tens of thousands whom are children. And while they have stepped up their repulsive oppression, they have insulted the entire free world by blacking out the press so that we do not even know all of the atrocities that are being committed.

Mr. Chairman, when I see things like this happen, we wonder what have we done to at least alleviate some of the pain that these human beings are suffering. The administration says that we are constructively engaged, but the pain has increased. We passed a sanction bill, and the administration vetoed it. But, still, we prevailed. And even there, only 8 percent of the exports that come into the United States are covered.

We do not see enforcement; we do not see the will; we do not see the support. We see the exemptions. And so much is expected of America, not just in terms of giving aid and assistance and military support, but America just seems to be the ideal democracy. We were brought together from different countries and continents, and we have had a lot to overcome internally as a multiracial Nation. But we stand today with a Greek American, with a black American and whatever about to be selected as President of the United States and leader of the free world.

These are concepts that are not even understood by other countries where, when you were born, automatically there were limitations placed on how far you can go in that particular society or country.

So while a lot is expected of us, it seems to me, Mr. Chairman, that we are not asking for too much when we say: Let us have a bill that we can support, not just for America, but to give encouragement to our allies to sever themselves from this cancerous sore and to encourage those people from within South Africa to do the right thing.

There are some people who believe that sanctions do not work, and I say to these people that sometimes they are rather selective in the countries that they find that sanction work and do not work. There are others who say that you are penalizing the wrong people; you are hurting the black folks in these countries not the minority rich or white regime.

I say that how could I know, how could we know? We just have to make weighted judgments. And so you go and you see what has happened with the Sullivan principles, and the record is clear that they have spent $200 million, that they take full ads about it and 10 years in order to improve the living conditions. And yet hundreds of times more money than that has been paid to the government to oppress the people that are clearly in the majority.

Then you might say, well, it is easy for you to say in the United States. After all, you are not among those people that would be hurt. And then you see all of the black leaders, the religious leaders, the labor leaders, the political leaders, those that have been bandsaying that freedom is not free and that it is not for us in the United States to support a regime that is there to oppress.

So now all the committees are moving, and our committee now has a part of this bill. There may be some complications as it relates to the chairman's expertise in trade as relates to GATT. But I know one thing, Mr. Chairman, that it is going to make us a better committee and a better Congress and a better America to be able to say that apartheid may not have ended in our lifetime—even though I think and pray that it will—but, for God's sake, you have to feel better about yourself that you made some contribution in trying to break the stranglehold that this country seems to have on so many millions of people.

I really want to thank you, Mr. Chairman, for allowing me to give my testimony, and I hope that this committee might allow my prepared statements to be submitted in the record.

Chairman GIBBONS. Without objection, your statement in its entirety will be included in the record.

[The statement of Mr. Rangel follows:]

TESTIMONY BY CONGRESSMAN CHARLES B. RANGEL

MR. CHAIRMAN, I WOULD FIRST LIKE TO THANK YOU THE DISTINGUISHED GENTLEMAN FROM FLORIDA, AND THE SUBCOMMITTEE FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

MR. CHAIRMAN, IT IS WITH A DEEP SENSE OF CONCERN AND URGENCY THAT I STRONGLY SUPPORT THE BILL H.R. 1580, DESIGNED TO HELP RESOLVE THE LONG-STANDING MONSTER, APARTHEID. WHILE MY PRIMARY CONCERN IS FOR THE BLACK MAJORITY POPULATION THAT IS CONTINUALLY SUFFERING FROM THE OPPRESSION AND RACISM OF THE APARTHEID REGIME, I ALSO FEAR FOR U.S. INTERESTS IN THE AREA.

AS THE ATROCITIES COMMITTED BY SOUTH AFRICA'S GOVERNMENT HAVE GROWN LARGER AND WIDER IN THEIR SCOPE, THE AVENUES TOWARD A PEACEFUL RESOLUTION TO THIS COUNTRY'S DIVISIONS ARE RAPIDLY DIMINISHING. TIME IS RUNNING OUT, AND MANY LEADERS OF THE ANTI-APARTHEID MOVEMENT HAVE EXPRESSED THEIR FEELINGS THAT THIS MAY BE THE LAST CHANCE TO AVOID AN ALL-OUT, RACIAL WAR OF APOCALYPTIC PROPORTIONS. THIS KIND OF BLOODBATH, IN ADDITION TO THE TRAGEDY OF ITS HUMAN COSTS, WILL ALSO SERIOUSLY THREATEN OTHER U.S. INTERESTS. APARTHEID WILL EVENTUALLY CRUMBLE, AND WHEN IT DOES OUR INABILITY TO HAVE TAKEN A STRONG STAND AGAINST APARTHEID WILL COME BACK TO HAUNT THE U.S.. BY NOT STANDING FIRM IN OUR OPPOSITION TO THE APARTHEID REGIME, WE RISK ALIENATION FROM THE FUTURE LEADERS OF SOUTH AFRICA, WHICH, IN TURN, COULD LEAD TO EXPANDED SOVIET INFLUENCE IN THE AREA, AND INFLAMED SUPERPOWER RELATIONS.

MR. CHAIRMAN, CURRENTLY, ECONOMIC SANCTIONS ARE THE ONLY MEANS FOR ENDING APARTHEID AS PEACEFULLY AS THE PRESENT CIRCUMSTANCES ALLOW. THE REASON FOR THIS IS CLEAR. THROUGHOUT HISTORY, PRETORIA HAS BEEN, AND STILL REMAINS, UNCOMPROMISING AND HOSTILE TO ALL INTERNAL ATTEMPTS TO END APARTHEID PEACEFULLY, AS WELL AS TO THE LIMITED ATTEMPTS AT SANCTIONS BY THE WESTERN WORLD.

AS ACKNOWLEDGED BY THE REAGAN ADMINISTRATION'S REPORT TO CONGRESS IN OCTOBER OF 1987, THE SOUTH AFRICAN GOVERNMENT HAS FAILED TO MEET ANY OF THE COMPREHENSIVE ANTI-APARTHEID ACT'S OF 1986 CRITERIA FOR SIGNIFICANT PROGRESS TOWARDS ENDING APARTHEID OVER THE PAST YEAR AND A HALF. INSTEAD, SOUTH AFRICA HAS BANNED ALL NON-VIOLENT POLITICAL ORGANIZATIONS, IMPOSED A NEAR-TOTAL PRESS BLACKOUT, INCREASED ITS DESTABILIZATION OF SOUTHERN AFRICA BY TERRORIZING ITS BLACK-RULED NEIGHBORS, AND HAS DETAINED AN ESTIMATED 300,000 PEOPLE WITHOUT CHARGE, 10,000 OF WHICH ARE CHILDREN.

IN ADDITION TO THE PROBLEMS OF THE WHITE MINORITY GOVERNMENT'S INTRANSIGENCE AND DRACONIAN CRACKDOWNS, CURRENT U.S. AND WESTERN SANCTIONS ARE RELATIVELY WEAK, AND HAVE BEEN POORLY ENFORCED BY THE REAGAN ADMINISTRATION. THESE SANCTIONS COVER ONLY 8% OF THE IMPORTS FROM SOUTH AFRICA, AND CONTAIN NUMEROUS LOOPHOLES. FOR EXAMPLE, A BAN ON URANIUM WAS EFFECTIVELY GUTTED BY THE EXEMPTION OF URANIUM HEXAFLOURIDE. FURTHERMORE, A SELECTIVE BAN ON COMPUTERS GOING TO THE SECURITY FORCES AND APARTHEID-ENFORCING AGENCIES HAS BEEN IMPOSSIBLE TO IMPLEMENT GIVEN ARMSCOR'S 930 PRIVATE CONTRACTORS AND OPPORTUNITIES FOR "TIME SHARING" ON COMPUTERS. WE NEED TO ENACT LEGISLATION THAT ELIMINATES THESE KINDS OF LOOPHOLES. H.R. 1580 IS TAKES US IN THIS DIRECTION.

ANOTHER PROBLEM WITH OUR NATION'S PRESENT POLICIES REGARDING SOUTH AFRICA HAS BEEN THE IMPRESSION WITHIN SOUTH AFRICA, AND THROUGHOUT THE REST OF THE WORLD, THAT THE U.S. DOESN'T REALLY DISAPPROVE OF APARTHEID. THIS SENTIMENT STEMS FROM THE REAGAN ADMINISTRATION'S CONSISTENT VETOING OF UN CONDEMNATION OF APARTHEID, AND ITS REFUSAL TO ORGANIZE A MEETING WITH OTHER GOVERNMENTS TO COORDINATE INTERNATIONAL PRESSURE ON THE APARTHEID REGIME AS REQUIRED BY LAW. AMERICA MUST REGAIN ITS CREDIBILITY ABROAD, AND AT HOME IN OUR MULTI-RACIAL COUNTRY, BY TAKING THE LEAD IN PRESSURING PRETORIA GLOBALLY. WE CAN NO LONGER AFFORD TO BE SEEN AS ACCOMPLICES TO THE REPRESSION AND BRUTALITY OF THE APARTHEID REGIME.

WHAT IS NEEDED NOW IS A SET OF MORE COMPREHENSIVE, MULTILATERAL ECONOMIC AND POLITICAL SOLUTIONS. IN ORDER FOR OUR ECONOMIC PRESSURE TO HAVE A MEANINGFUL IMPACT, WE NEED A BILL THAT IS UNAMBIGUOUS, EASILY ENFORCED, AND AND A BILL THAT WILL STOP THE "BACK DOOR" FINANCING OF THE SOUTH AFRICAN GOVERNMENT AND THE APARTHEID ECONOMY. H.R. 1580 IS THAT BILL, FOR IT PROVIDES THE KIND OF CLEAR AND FORCEFUL LEGISLATION WE NEED TO SHOW THE WHITE MINORITY GOVERNMENT OF SOUTH AFRICA THAT THERE ARE COSTS TO BE BORN FOR ITS INHUMANITY AND OPPRESSION.

MR CHAIRMAN, MOST OF US ACKNOWLEDGE THE DEPLORABLE SITUATION THAT EXISTS IN SOUTH AFRICA, YET SOME STILL QUESTION THE VIABILITY OF ADDITIONAL ECONOMIC SANCTIONS. AS WE TRY HERE TODAY, AND IN THE FUTURE, TO DEBATE THE BENEFITS OF MORE COMPREHENSIVE SANCTIONS, I WOULD LIKE TO BRIEFLY COMMENT ON A FEW OF THE COMMON FALLACIES SURROUNDING THE *IMPLEMENTING OF ADDITIONAL SANCTIONS* THAT ARE BOUND TO ARISE LATER IN OUR DISCUSSION.

ONE SERIOUS MISCONCEPTION THAT IS OFTEN PUT FORTH BY THOSE WHO ARE SUSPICIOUS OR OPPOSED TO SANCTIONS IS THAT SANCTIONS HURT BLACK SOUTH AFRICANS. WELL, MR. CHAIRMAN, I THINK IT IS QUITE CLEAR THAT BLACKS ARE ALREADY SUFFERING. MORE SIGNIFICANTLY, HOWEVER, IT IS IMPORTANT TO NOTE THAT ALL THOSE WHOM BLACKS HAVE INDICATED THEY REGARD AS REPRESENTATIVE POLITICAL LEADERS - ALL THE WAY FROM ARCHBISHOP TUTU, REVEREND ALAN BOESAK, TO THE TWO MAJOR TRADE FEDERATIONS, COSATU AND NACTU, THE UNITED DEMOCRATIC FRONT, THE ANC, AND THE SOUTH AFRICAN COUNCIL OF CHURCHES - ALL SUPPORT, AND ARE CALLING FOR WELL-MONITORED, COMPREHENSIVE SANCTIONS INCLUDING DISINVESTMENT. THEY SEE COMPREHENSIVE SANCTIONS AS A SHORT-TERM PAIN, LONG-TERM GAIN SITUATION. WITHOUT SANCTIONS THE GOVERNMENT REPRESSES SOUTH AFRICAN BLACKS. WITH ADDITIONAL SANCTIONS THEY MAY CONTINUE TO REPRESS SOUTH AFRICAN BLACKS BUT IT WILL NOT BE REPRESSION WITHOUT SUBSTANTIAL COSTS TO THE ECONOMIC FOUNDATIONS OF APARTHEID. THE EXTERNAL COSTS FROM SANCTIONS WILL ALSO REINFORCE THE INTERNAL PRESSURES WITHIN SOUTH AFRICA THAT HAVE BEEN BUILDING FOR YEARS. SOON WHITE SOUTH AFRICANS WILL COME TO QUESTION WHETHER OR NOT THE GOVERNMENT CAN REALLY AFFORD THE MILLIONS PER DAY IT SPENDS TO PATROL TOWNSHIPS, ENFORCE RACIST LAWS, AND DESTABILIZE NEIGHBORING COUNTRIES.

ANOTHER COMMON FALLACY ADVANCED BY SOME CRITICS OF COMPREHENSIVE SANCTIONS IS THAT AS A RESULT OF DISINVESTMENT, THE U.S. WILL LOSE ITS LEVERAGE, AND U.S. COMPANIES WILL NO LONGER BE ABLE TO PROVIDE THE BENEFICIAL THINGS THEY HAVE FOR SOUTH AFRICAN BLACKS. PROPONENTS OF THIS LINE OF ARGUMENT USE THE PRESIDENT'S OCTOBER 2ND REPORT THAT CLAIMED THAT $200 MILLION HAD BEEN SPENT BY U.S. CORPORATIONS ON PROGRAMS FOR BLACK SOUTH AFRICANS OVER A TEN-YEAR PERIOD, AND THAT THIS JUSTIFIES CONTINUED U.S. CORPORATE PRESENCE. THE ONLY PROBLEM WITH THIS ARGUMENT IS THAT DURING THIS SAME PERIOD, THESE SAME FIRMS GAVE THE SOUTH AFRICAN GOVERNMENT TWENTY-SEVEN TIMES IN INCOME TAX, AND SIXTY-NINE TIMES IN TOTAL TAXES, THAT WHICH THEY SPENT ON THE SULLIVAN PRINCIPLES. THE PLAIN REALITY IS THAT FEW BLACKS HAVE ACTUALLY BEEN THE BENEFICIARIES OF THESE BENEFITS. IN FACT, IN 1986, LESS THAN ONE-HALF OF 1% OF THE NON-WHITE LABOR FORCE WERE EMPLOYED BY ALL AMERICAN FIRMS COMBINED. FOR MOST BLACK SOUTH AFRICANS THERE IS A MUCH HARSHER ECONOMIC REALITY; THAT WHICH TRANSLATES INTO 3.3 MILLION UNEMPLOYED BLACK WORKERS, AND A 30%-PLUS UNEMPLOYMENT RATE.

MR. CHAIRMAN, THE TIME FOR ADDITIONAL COMPREHENSIVE SANCTIONS IS LONG OVERDUE. A BILL LIKE H.R. 1580 EMBODIES THE KIND OF MEASURES THAT WILL SIGNIFICANTLY AMPLIFY INTERNAL PRESSURES FROM THE BLACK MAJORITY FOR A NEGOTIATED END TO APARTHEID. THE SOUTH AFRICAN ECONOMY HAS HISTORICALLY BEEN DEPENDENT UPON 10-20% FOREIGN INVESTMENT FOR REAL PER CAPITA ECONOMIC GROWTH. FOREIGN TRADE, FINANCED LARGELY FROM ABROAD, ACCOUNTS FOR HALF THE GROSS DOMESTIC PRODUCT. FOREIGN OIL SUPPLIES TWO-THIRDS OF SOUTH AFRICA'S NEEDS FOR LIQUID FUEL, AND FOREIGN COMPUTERS MEET THE PREPONDERANCE OF GOVERNMENT AND INDUSTRIAL NEEDS.

WITH THIS IN MIND, H.R. 1580 CAN PROVIDE U.S. WITH THE DIPLOMATIC TOOL NEEDED TO PUNCTURE THE RULING WHITE MINORITY'S FANTASY THAT IT CAN HOLD ON TO ITS MONOPOLY OF POWER INDEFINITELY, FREE OF SEVERE ECONOMIC COSTS AND DEEPENING INTERNATIONAL ISOLATION.

MR. CHAIRMAN, IN DECEMBER OF 1987, THE WAYS AND MEANS COMMITTEE MADE AN IMPORTANT MORAL STATEMENT ABOUT THE PERNICIOUS EVIL OF APARTHEID WHEN IT PASSED LEGISLATION DENYING FOREIGN TAX CREDITS TO U.S. CORPORATIONS DOING BUSINESS IN SOUTH AFRICA. BY FAVORABLY ACTING ON H.R. 1580, THIS COMMITTEE CAN CONTINUE ITS COMMITMENT TO ENCOURAGING A FULL AND FREE DEMOCRACY IN SOUTH AFRICA BY NOT ENDORSING U.S. ECONOMIC ACTIVITY WITHIN THAT COUNTRY.

IN CLOSING, I WOULD LIKE TO QUOTE THE LATE, DR. MARTIN LUTHER KING JR., WHOSE POIGNANT AND TELLING WORDS ARE STILL SADLY APPLICABLE TO THE SITUATION IN SOUTH AFRICA TODAY. MR. KING SAID:

"THE TRAGEDY OF SOUTH AFRICA IS NOT SIMPLY IN ITS OWN POLICY; IT IS IN THE FACT THAT THE RACIST GOVERNMENT OF SOUTH AFRICA IS VIRTUALLY MADE POSSIBLE BY THE ECONOMIC POLICIES OF THE UNITED STATES AND GREAT BRITAIN, TWO COUNTRIES WHICH PROFESS TO BE THE MORAL BASTIONS OF THE WORLD."

Chairman GIBBONS. I want to commend you for the powerfulness, straightforwardness, and sincerity of your statement. I hope that this will work.

Mr. Crane.

Mr. CRANE. Mr. Chairman, I have a statement I would like inserted in the record.

Mr. GIBBONS. Without objection, it will be entered at this point in the record.

[The statement follows:]

STATEMENT OF HON. PHILIP M. CRANE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, I have been a long time critic of apartheid because it limits the political and economic freedom of black South Africans. The United States must pursue a policy vis-a-vis South Africa which will help create the environment necessary to aid blacks in their quest to achieve freedom. Many legislators argue that sanctions will serve this end by isolating the South African economy from the world community and thereby forcing the whites to share power. While these legislators are certainly interested in helping black South Africans, I am concerned that their support for sanctions is founded more on good will than well reasoned analysis. In opposition to the arguments of my colleagues, I agree with Zulu leader Mangosuthu Buthelezi's contention that sanctions undermine the growth of black economic and political power while making the government even more recalcitrant.

It has been almost two years since Congress passed the Comprehensive Anti-Apartheid Act of 1986, and the results have not lived up to the expectations of its supporters. Far from making whites more willing to negotiate, sanctions have given the most reactionary parties ammunition to argue that South Africa's security is threatened. In their view, the government must respond to this threat by curtailing any thought of allowing further liberalization.

The far right-wing parties have gained a signficant number of seats in Parliament at the expense of the liberal Progressive Federal Party (PFP). It is instructive to note that the current government is considered moderate within the South Africa system. Should this government be defeated by its more reactionary opponents, black South Africans could well conclude that over-throwing the government is their only remainng alternative.

Sanctions have also increased the economic might of whites while undercutting the economic power of blacks. Since the imposition of sanctions, over one-half of all American firms have decided to sell their subsidiaries to white South Africans at fire-sale prices. The new owners have all too often responded by laying off blacks and abolishing the many progressive work rules, educational programs, and fair pay which blacks have come to expect from their American employers.

So far, trade sanctions have had their most profound impact on the coal and agriculture industries, both of which have experienced sharp falloffs of exports and rising unemployment. An estimated 10,000 mine workers, mostly blacks, have been laid off since sanctions were imposed on coal imports. If sanctions continue, it is a foregone conclusion that blacks in other sectors of the economy will also lose their jobs. Such a development would be particularly disturbing at a time when economists estimate that the South African economy will need to create 300,000 new jobs every year to absorb new black entrants into the job market. To achieve this goal, South Africa will need to more than double the growth rate of its gross national product from 2 percent to 5 percent, to prevent the existing unemployment rate for blacks from rising dramatically. Without foreign investment, South Africa cannot hope to increase its economic growth rate by even 1 percent.

I question the wisdom of diminishing the economic power of blacks when the recent history of South Africa has shown the clear correlation between increasing levels of economic growth and black freedom. As the economy has grown, (most significantly during the 1970s), white owned firms have recognized that apartheid in the work place constrains their ability to expand because of labor shortages in the skilled, white community. White firms have thus promoted an ever increasing number of their black employees to white collar and supervisory positions out of sheer economic need. The government has also responded to the pressures of an expanding economy by repealing apartheid in the workplace, legalizing black trade unions, abolishing the pass laws, and sanctioning interracial marriage. Some would argue that these are merely obstructionist reforms, designed to quell the anger of blacks without giving them any real political power. I would argue that these reforms represent significant advances given the realities of South African politics.

History has shown that once an oppressed people gain economic power, they are above to negotiate with their adversaries from a position of power for additional rights. Let us not forget, for example, that Chinese immigrants were treated poorly in California during the Gold Rush. Through hard work, they gained economic might and eventually established enough power to destroy discrimination in such areas as housing and education. American Jews once pursued a similar strategy to combat discrimination. Sound policy towards South Africa requires us to reevaluate the wisdom of sanctions and consider other policy alternatives which will further increase the ability of black South Africans to negotiate with the Government from a position of economic power.

A number of my colleagues insist that the blacks in South Africa are willing to suffer to bring about an end to apartheid. However, that is clearly not the case. Only one out of fourteen polls taken over the past 4 years in South Africa has claimed that blacks favor sanctions. The remaining thirteen conclude that black South Africans oppose sanctions by a margin of at least 3 to 1. Clearly, those in Congress who claim that blacks are willing to suffer the consequences of our sanctions are either unaware or blind to these facts and figures.

It is essential that we also consider carefully the likely impact further sanctions will have on the United States. A report released by the Congressional Budget Office last month estimate that the Dellums bill, which eliminates all imports and exports to and from South Africa and prohibits all U.S. investment in that country, will cost the federal government $5 million in FY 1989, and will increase to $14 million in FY 1993 (this figure does not reflect the amount lost due to mineral leases, which would increase these estimates significantly.) If the Dellums bill is enacted, we can anticipate a significant loss of U.S. jobs, possible penalties under the General Agreement on Tariffs and Trade, and substantial ramifications from excising our access to essential metals and strategic minerals.

An 18 page study recently conducted by the Wharton Econometric Forecasting Association has found that the U.S. coal exporters lost $250 million in 1986 and 1987 due to the U.S. embargo on imports of South African coal. The National Coal Association has stated that between 3,000 and 7,000 U.S. miners have lost their jobs as a direct result of sanctions against South Africa. Additionally, a report released in April by the U.S. Department of Commerce concluded that current sanctions could potentially cause a loss, in sales and cancelled contracts, of up to $300 million annually to the U.S. uranium industry. Although that figure was not computed into actual jobs lost, we can be the number is substantial. The trade bill, which recently passed through Congress, before it was vetoed by the President, would lead one to believe that members of both bodies are interested in protecting American jobs. If this is truely the case, it will be difficult for members to justify voting in favor of this legislation.

A provision in the bill which authorizes the president to limit imports from any other country which benefits from or takes commercial advantage of any prohibition imposed by the bill may have serious implications for the U.S. This measure has been said to violate Article I of the GATT that requires all GATT signatories to be treated equally on a most-favored-nation basis. Additionally, these provisions may nullify and impair the benefits of other GATT trading partners and require significant compensation by the U.S. under Article XXIII.

A further example of the impact of sanctions on the United States lies in the area of strategic metals and minerals. The provision in the Dellums bill which calls for a ban on the importation of most South African strategic metals has been estimated by a Bureau of Mines study to cost the U.S. economy at least $1.85 billion a year. As a result, our dependence on the Soviet Union for esssential metals such as platinum, rhodium, and palladium will increase by an estimated 25%. Even with the Soviet supply, in addition to other available world sources, the amount will only satisfy approximately half of the U.S. industrial demand. Although the bill allows the continuation of some strategic minerals deemed irreplaceable by the president, some analysts have said South Africa could forbid the shipment of the metals as a form of retaliation.

As members of Congress, it is clear that we are all in agreement in that the official policy of apartheid practiced in South Africa is appalling, and the United States should do everything in its power to see that it is dismantled. Unfortunately, we are not in accordance on the most effective method in which to achieve our mutually desired goal. The Dellums solution maximizes the destruction of the South African economy, which will increase black unrest, and ultimately lead to civil war. A more effective method, which may take a little longer but will not lead to bloodshed, would be to increase the power of blacks economically, and eventually the government of South Africa will be forced to recognize them politically.

Mr. CRANE. I, too, want to welcome our distinguished colleague who has presented a case, and I think a case that reflects the values that I know he holds. But let me ask you a question, Charlie.

Who do you feel economic sanctions against Panama hurt the most?

Mr. RANGEL. First of all, if you can say that we had a foreign policy as relates to Panama, I cannot even find that. The rape of our criminal justice system in indicting somebody from a country that we do not even have an extradition treaty from, to allow our Justice Department to use our U.S. attorney to reach some foreign policy objective, and even to discuss, after abusing the system, the dismissal of the indictment to have a third-rate bum manipulate the United States to such an extent that all we can do is grab and squeeze the poor people in this country, hoping that they would revolt against this guy that has been on our payroll for a decade—I say to you, Mr. Crane, that you are right. We are hurting the poor people, the same way we have for a decade in Panama.

I do not know where we can screw up any more than we have in our relationship with the Government of Panama, if, indeed, they are a Government.

Mr. CRANE. Well, I share that. Frankly, I took issue with the administration on the use of economic sanctions on the grounds that Dictator Noriega and his henchmen in the military have probably got huge inflated Swiss bank accounts. They are not going to be injured by this approach. And the people who, indeed, will be injured are the very people that we did not want to hurt further.

Mr. RANGEL. I agree with you, Mr. Crane, but I think there is a long list of countries that you support sanctions against, Communists, ruthless bums, and I just want you to put this country on your list of the countries that you do approve sanctions against. We all can be selective.

Mr. CRANE. I do not, as a matter of fact.

Mr. RANGEL. Cuba? You want to remove the sanctions against Cuba?

Mr. CRANE. No, against South Africa.

Mr. RANGEL. How about Cuba?

Mr. CRANE. And against Panama.

Mr. RANGEL. How about Cuba?

Mr. CRANE. Just isolate them. A Communist country that is engaged in exporting its ideology across a national boundary is one thing. Those people should be quarantined, in my estimation. But the salvageables—and that is what we are talking about in Panama——

Mr. RANGEL. Mr. Crane, I do not think we can be selective in terms of where sanctions work and where they do not. I think it is a flawed concept. I agree with you, but I am saying that when you take a look and see where America has stood in support of this minority regime, and then find the affected people coming to us saying, for God's sake, do not just stand there as a world leader, use the economic power you have to bring this regime to its knees and to free us.

Now, I am saying if you listen to the people, and they are asking for this relief, who are we to say whether sanctions work or whether they do not work.

Mr. **Crane**. Well, I have talked to black South Africans, Chief Buthelezi, for example, Lucy Bubello.

Mr. **Rangel**. I really think that——

Mr. **Crane**. Yet you are talking about some blacks that do, indeed, advocate sanctions as a means of trying to redress grievances. There are other blacks that say they are profoundly counterproductive. And based upon what has happened to date, especially in the mining and coal industries over there, an estimated 10,000 people have been thrown out of work, the overwhelming majority of whom are blacks.

The fact of the matter is, South Africa, if it is going to be able to satisfy those new entries into the work force—and I am talking principally black entries into the work force—it is going to have to create an estimated 30,000 new jobs a year.

Mr. **Rangel**. Mr. Crane, I am certain——

Mr. **Crane**. And the Japanese are filling the void that we are leaving, and the Sullivan principles' absence in South Africa removes the last positive example that existed in that country.

It just strikes me that there are parallels between our good intentions with regard to dealing with Noriega through economic sanctions and the good intentions of using economic sanctions against South Africa. But we end up hurting the very people we are trying to help.

Mr. **Rangel**. Mr. Crane, it really strikes me as peculiar as to why our relationship and our policies in South Africa seem to be a little different and a different standard as relates to our policies against other nations who offend us, as you pointed out, as to Communists with their willingness to spread whatever they spread throughout the world. I want you to know that with the same outrage that you feel about these people in Cuba, I feel about this racist regime in South Africa.

With the same love and affection you have for our country, not knowing whether all of the things that we support work or do not work, I want you to know that I feel very comfortable that on this issue I am on the side of those people that I respect their overall objectives.

It is true that many times when we vote, other people who support our reasoning for different reasons, we wish that we were not associated with them. But in this particular struggle for liberty, all of the people that speak on these issues, whether it is in the United Nations or in our country, when they talk about the things that you believe in—freedom, liberty, justice, equality, to assemble, to speak—all of those things, if a mistake is made, I would feel more comfortable being with them than in seeing that I am supporting the relatively handful of people who are destroying the very fabric of freedom as we know it.

Mr. **Crane**. Charlie, you and I do not have differences on the ideals and the goals, but on the means of accomplishing them. The worry that comes through to me is if you look at the internal political situation in South Africa as a result, in part, of sanctions, the political factions that are militant in their apartheid views and in supporting apartheid have been strengthened through the sanctions.

Then you look at the economic consequences of the sanctions and the ultimate alternative if we cannot figure out some other way of trying to resolve the problems that we mutually acknowledge to be wrong and need remedies. You are laying a foundation, it seems to me, for a potentially violent confrontation that could involve the loss of hundreds of thousands, maybe millions of lives.

Mr. **Rangel.** Well, I guess we do reach the same conclusion, and I would agree with you that I think the opportunity for a bloody racist war is more likely if we do nothing.

Mr. **Crane.** Well, based on the scenario that is unfolding since sanctions, Charlie, it is more likely, because you are getting more polarized confrontation going on in that society over the last 2 years than existed in the years prior to 1986.

Mr. **Rangel.** We do not get the same reading, Mr. Crane. And, indeed, in talking with Bishop Tutu, he has shared with us that he thinks there is a new feeling for America among the blacks in South Africa; that no matter how little we are doing, they feel that we are supportive of their goals and objectives to be free people.

Mr. **Crane.** With all due respect, who does Bishop Tutu speak for?

Mr. **Rangel.** Well, I like to say that with most all of the people that I have spoken with, they shared his views. You know, one might say who do you and I speak for. But it has been consistent.

Now, it could very well be that the people you are talking with do not come to see me. But I have not heard anyone say that the little, the few things that we have done—which really are just nothing but symbolic. You are not hurting anybody in South Africa now. They are not hurt economically. But I am saying that I have not heard—and I know Leon Sullivan. I talk with people that head corporations, that have divisions in South Africa, that have been hurt economically. None of them have shared with me your view that applying sanctions is going to lead to a bloody revolution.

It is just nothing but this oppression and this rigidity and what this nation is doing—the last time these things were done and we did nothing was in Germany. I mean, it is impossible for you to share with me—what are we doing to stop what is taking place there? And you are saying nothing, but I do not think this is the answer. And I am saying that this may not be the answer, but it is something.

Mr. **Crane.** Well, again, Charlie, with respect—and I mean that—sanctions to date have injured blacks. Maybe that injury is a prerequisite to effecting reform, and I gather you believe that. My concern is that the reforms that you are anticipating have not been enhanced within that government. Quite the contrary, elements within that government that we both mutually disapprove of have had a strengthened position as a result of sanctions. And I really think, especially at this time, to further aggravate that is counterproductive to what you want to see and what I would like to see happen there.

I do not share the confidence you have that we are really remedying the problem through this approach, but I certainly respect your views and respect you as a colleague.

Mr. **Rangel**. Thank you.

Chairman **Gibbons**. Mr. Vander Jagt.

Mr. **Vander Jagt**. Thank you, Mr. Chairman. I was stunned when I walked into the hearing to see my good friend and colleague on the Ways and Means Committee on that side of the table rather than on this side. And to discover he is as eloquent on his beliefs on that side as he always is sitting up here, I guess that is why I am happy. I only got the last few lines of your prepared statement. Otherwise, I probably would have been persuaded to go along with what the point of view was. I would rather read your statement, the full objective and see what it is, rather than be carried along by the tremendous eloquence.

Years ago I spent 10 days in South Africa, just myself and Congressman Charles Diggs of Michigan, who was chairman of the Africa Subcommittee on Foreign Affairs at the time and chairman of the Black Caucus at that time. Those 10 days, indeed, made a lasting, profound impression. It led me to conclude that it is kind of complex. So I am glad that I will be able to read your statement rather than just be swept along on the eloquence of it.

I would like my colleague from Michigan to know that my dashing off now is because there is an airplane waiting to take me to our State of Michigan. But I have your statement, and I will read it as I wing my way to Detroit.

Thank you both very much for being here.

Mr. **Rangel**. I hope that your eloquence is not hindered by the same restrictions you placed on me.

Mr. **Vander Jagt**. Thanks.

Chairman **Gibbons**. Let us go to Mr. Wolpe now.

STATEMENT OF HON. HOWARD WOLPE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. **Wolpe**. Thank you very much, Mr. Chairman. Let me first of all express my appreciation to you for scheduling this hearing as expeditiously as you have and for providing me, as well as Mr. Rangel, an opportunity to testify today.

There is a terrible tragedy in the making in South Africa. It is that tragedy that has been the focus of my subcommittee perhaps more on this subject than any other in the last several years. A bloodbath looms. All of us are threatened by its consequences. The human costs of a prolonged and violent struggle in South Africa are incalculable, both in terms of treasure and in terms of lives, black and white.

The struggle for liberation in South Africa will increasingly affect the United States and the Western World. We are talking about a matter of American national interest. That is what has motivated this legislation.

We cannot run and we cannot hide from that struggle or from its consequences. All of our rationalizations for inaction will ring increasingly hollow and will only fuel racial division and conflict in America and throughout the world. For it is the doctrine of white supremacy, of racism, that provides the only reason and justification for the apartheid regime. People of color understand that very clearly, whether they live in America, in Africa, or elsewhere.

They also see through just as clearly all of the subterfuges that are devised to rationalize the accommodation that the United States, the Western World, and, in its cartel-like relationship with the South African diamond industry, and even the Soviet Union, has made with the apartheid regime.

I wanted to respond in part of my testimony to some of what was said earlier in the colloquy between Mr. Crane and Mr. Rangel. Let there be no mistake about it. America's historic resistance to the application of sanctions against South Africa has been very costly to our own country. It is this resistance that has led so many to conclude that the United States is willing to accommodate itself to apartheid. This resistance to sanctions may, therefore, have unintentionally added substantially to the pain and the hardship inflicted by apartheid on South Africa's black majority.

At the same time, it has produced a widespread perception that America has a racial double standard in its foreign policy—a perception that has undermined America's moral authority and political influence throughout that part of the world which is not white, which just happens to be most of the world.

People of color, whether in Africa, Asia or in Latin America, ask themselves, as should we, whether America would have resisted the application of sanctions for so long if the racial composition in South Africa had been reversed, and it had been a black minority imposing the horrendously dehumanizing apartheid system over a white majority. They note our enthusiasm for sanctions elsewhere in the world, such as those that we have imposed against the Soviet Union, Cuba, Nicaragua, Libya, most recently Panama, and they find America's approach to South Africa terribly inconsistent. They also know how even our language is altered to describe the South African situation.

For example, we see the frequent characterization of the African National Congress as comprised of "terrorists" instead of "freedom fighters."

These observers are bemused by the sudden emergence of Americans as the apostles of nonviolence when the United States has hardly been reluctant to support a military response elsewhere in the world, whether in Afghanistan or Nicaragua or in Libya.

But perhaps the most telling commentary in the eyes of these observers is the frequent use by American opponents of sanctions of the argument that sanctions will hurt the very people we seek to help. As if the earlier application of sanctions did not hurt the Nicaraguans, the Panamanians or the Libyans.

Indeed, what is startling is how unaware we Americans often are of our inconsistency or of the unconscious biases that impair our objectivity and result in flawed policy—policy that does violence to both American values and American national interests. Clearly, when we have applied sanctions against other countries, such as the ones I have just mentioned, those sanctions had impacts upon the populations affected. We knew that. But that was not in question. It was not precisely for two reasons: First, it was understood that the short-term costs that would be imposed upon the population were outweighed by the longer term benefits of the pressure that was being placed upon those governments to change their long-term policies. Second, it was also understood that American national interests required that we disassociate ourselves from regimes that were repressive and pursuing inhumane policies.

Chairman **Gibbons**. We are going to have to do something about the TV lights. You are going to have to turn them off. I cannot see the witnesses. I am sorry. Does that bother you?

Mr. **Wolpe**. I cannot see you now. [Laughter.]

Again, just to close out that point, somehow when we turn to the subject of South Africa, a whole series of new issues gets raised that have never appeared in the debates over sanctions as they apply to other countries.

The simple truth of the matter is that apartheid exists because it is enormously profitable to South Africa's ruling white minority. All of the elements of the apartheid system contribute to one objective: the preservation of white minority privilege. In an important sense, South African society operates as one vast slave plantation. Blacks have little control over their own destinies. They cannot freely determine either where they live or the conditions under which they work. They have no importance to the white minority except as a pool of cheap labor required to keep South African mines and economy going and the white minority prospering.

Those who call for new sanctions against South Africa are not unaware that such measures as a trade embargo and disinvestment will affect South Africa's black majority. Clearly, increased economic pressure against apartheid will mean economic costs for the black population. But as Bishop Tutu and Reverend Boesak and key South African trading leaders have repeatedly stated, the short-term costs of economic sanctions would be far less than the long-term costs in terms not only of economic hardship but of loss of lives from a protracted violent liberation struggle. The only way that this kind of struggle can be averted is by a decision of the white minority to abandon apartheid and to negotiate with the black majority the transition to a new and democratic political order.

Whatever the cost of sanctions to the black majority, the cost to the privileged white minority will be far greater. And it is precisely for this reason that the South African Government and business community are so determined to defeat this effort to impose new sanctions.

We had in the Washington Post not long ago one element of that campaign by the South Africans against sanctions. It was sponsored by the South African business community. This advertisement appeared, a picture of a zebra, with the caption, "Shoot it in the white, and the black dies with it."

I must say, Mr. Chairman, that I think this kind of advertisement can only be described as obscene, because what you have here is the white beneficiaries of apartheid hiding behind its victims in an effort to resist the sanctions.

The harsh reality is that no regime in history of the world has ever voluntarily relinquished power. There is no reason to believe that the white minority of South Africa is somehow unique.

The current regime will give up its monopoly of power, will abandon apartheid, and sit down to negotiate a new democratic political system with the country's black majority, only when it concludes that it has more to lose than to gain by trying to hold on to the apartheid system.

Anything we in the United States, or the international community do, that signals to the white minority that it can in fact continue to operate as a totalitarian, repressive State without fundamental economic costs, and deepening international isolation, will only prolong that struggle.

That, in turn, will mean increased polarization inside South Africa, much greater violence and bloodshed, and far greater risks for the United States and the Western world.

We have vital interests in southern Africa, and widening regional conflict and instability will imperial those interests. That is why we need now, rather than later, to do everything we can to help create the conditions for regional peace and stability.

Let me say, in response one of the observations made by, I believe Mr. Crane, earlier, that he sees increasing polarization as the consequence of sanctions, and increased violence flowing from that kind of approach. That precisely the opposite I think is self-evidence.

What black leaders of South Africa are telling us is that there are three ways you can change behavior, three options available to people that are struggling against injustice. One of them is to vote.

Obviously, that is not an option available to the majority in South Africa. The second is violence. Neither the black leadership of South Africa that is leading the movement for liberation nor we, in the United States, want to see reliance upon violence.

When we say, effectively, that they cannot vote, but we do not want them to engage in violence, and then we say—and we are not going to do anything else—we are creating, obviously, a totally illogical kind of policy scenario. The only available alternative to violence, or voting power, is indeed economic, diplomatic, and political pressure, and that is the purpose of sanctions.

And if we do not want to see bloody, violent revolution, then we had better darn well be about the business of mobilizing all of the alternative nonviolent pressures available to us, to try to move that process forward.

My fear is, frankly, that the longer negotiations are delayed the far more dangerous the conflict becomes. Such people as Nelson Mandela and Oliver Tambo who lead the African National Congress today—and one in prison, one from outside that prison—are moderate, pragmatic individuals, who have been wholly committed to democratic values throughout their political lifetime.

It is not at all clear what will follow in the new generation of leadership. My greatest fear is that by the time negotiations will take place, the level of bitterness and radicalization will be so great as to make much more difficult that task of political reconciliation.

Let me briefly, if you want, Mr. Chairman. I have submitted in my written testimony some detailed comments on some of the more technical issues as it relates to the import provisions of the sanctions bill within the jurisdiction of your subcommittee. For example, some testimony I have submitted asks whether or not the import restrictions violate GATT, which is a question that has been raised.

Let me say, briefly, that if they did violate GATT, so would our current import bans against Cuba, North Korea, Vietnam, Kampuchea, Libya, Nicaragua, as well as our past bans against Iran, Uganda, and China.

However, GATT has never declared that these sanctions are violations. This is because article 21 of GATT establishes an exception permitting a country to take any action which it considers necessary for the protection of its essential security interests in time of war, or other emergency in international relations, and to take any action in pursuit of its obligations under the United Nations charter for the maintenance of international peace and security.

Due to the exemption, a GATT panel in 1986 was unable to find that the U.S. trade embargo against Nicaragua was inconsistent with GATT. Clearly, similar considerations would apply to import sanctions against South Africa.

I would be pleased to respond, to read to you, verbally, the testimony I have submitted, Mr. Chairman. If you would like me to do so I could do that, or, I could end here and be responsive to your questions.

Chairman GIBBONS. Without objection, we will put your entire testimony in the record.

[The statement of Mr. Wolpe follows:]

TESTIMONY BEFORE THE SUBCOMMITTEE ON TRADE
HOWARD WOLPE, CHAIRMAN
SUBCOMMITTEE ON AFRICA
JUNE 9, 1988

There is a terrible tragedy in the making in South Africa. A blood-bath looms — and all of us are threatened by its consequences. The human costs of a prolonged and violent struggle in South Africa are incalculable both in terms of treasure and of lives — black and white — that it will consume. And the struggle for liberation in South Africa will increasingly affect the United States and the Western World. We cannot run and we cannot hide from the struggle or its consequences. All of our rationalizations for inaction will ring increasingly hollow and will only fuel racial division and conflict in America and throughout the world. For it is the doctrine of white supremacy — of racism — that provides the only reason and justification for the apartheid regime. People of color understand that very clearly -- whether they live in America, in Africa, or elsewhere. And they also see through — just as clearly — all of the subterfuges that are devised to rationalize the accomodation that the United States, the Western World, and — in its cartel-like relationship with the South African diamond industry -- even the Soviet Union has made with the apartheid regime.

The simple truth of the matter is that apartheid exists because it is enormously profitable to South Africa's ruling white minority. All of the elements of the apartheid system contribute to one objective: the preservation of white minority privilege. In an important sense, South African society operates as one vast slave plantation. Blacks have little control over their own destinies. They cannot freely determine neither where they live nor the conditions under which they work. They have no importance to the white minority except as a pool of cheap labor required to keep South African mines and economy going and the white minority prospering.

That is why anti-sanctions advertisements such as the one sponsored by the South African Business Council that appeared recently in the Washington Post — in which a picture of a zebra was presented with a caption that read, "Shoot it in the White and the Black dies with it," — can only be characterized as obscene. What that ad reveals is that some of the principal beneficiaries of apartheid, the white South African business interests for whom apartheid has been so enormously profitable, are hiding behind the victims of apartheid in their effort to resist stronger economic sanctions and to preserve their profits.

Those who call for new sanctions against South Africa are not unaware that such measures as a trade embargo and disinvestment will affect South Africa's black majority. Clearly increased economic pressure against apartheid will mean economic costs for the black population. But, as Bishop Tutu, Rev. Boesak, and key South African trade union leaders have repeatedly stated, the short-term costs of economic sanctions will be far less than the long-term costs — in terms not only of economic hardship but of loss of lives -- of a protracted violent liberation struggle. And the only way that this kind of struggle can be averted is by a decision of the white minority to abandon apartheid and to negotiate with the black majority the transition to a new and democratic political order.

Whatever the costs of sanctions to the black majority, the costs to the privileged white minority will be far greater — and it is precisely for this reason that the South African government and business community are so determined to defeat this effort to impose new sanctions. The harsh reality is that no regime — in the history of the world — has ever voluntarily relinquished power, and there is no reason to believe that the white minority of South Africa is somehow unique in this respect. The current regime will give up its monopoly of power -- will abandon apartheid and sit down to negotiate a new democratic political system with the country's black majority — only when it concludes it has more to lose than to gain by trying to hold on to the apartheid system. Anything we in the United States or the international community do that signals to the white minority that it can continue to operate as a totalitarian, repressive state without fundamental economic costs and deepening international isolation will only prolong the struggle. That, in turn, will mean increased polarization inside South Africa, much greater violence and bloodshed, and far greater risks for the United States and the Western world. We have vital interests in southern Africa, and widening regional conflict and instability will imperil those interests. That is why we need now, rather than later, to do everything we can to help create the conditions for regional peace and stability.

Let me briefly touch upon three issues that have been raised about certain provisions of this legislation which appear to fall under this Subcommittee's jurisdiction.

(1) Do the import restrictions violate GATT?

If they did violate GATT, so would our current import bans against Cuba, North Korea, Vietnam, Kampuchea, Libya, and Nicaragua, as well as our past bans against Iran, Uganda, and China. However, GATT has never declared that these sanctions are violations.

This is because Article 21 of the GATT establishes an exception permitting a country to take "any action which it considers necessary for the protection of its essential security interests" in time of war or "other emergency in international relations", and to take "any action in pursuit of its obligations under the United Nations Charter for the maintenance of international peace and security". Due to the exception, a GATT panel in 1986 was unable to find that the U.S. trade embargo against Nicaragua was inconsistent with GATT. Clearly similar considerations would apply to import sanctions against South Africa. On September 8, 1985 President Reagan declared a national emergency in order to impose sanctions against South Africa and Congress subsequently enacted much stronger sanctions. Concerning the additional exception for U.N. obligations in the case of South Africa, there are a number of U.N. General Assembly Resolutions calling for comprehensive economic sanctions, such as Resolution 41/35-B of November 10, 1986 which requested all states "to adopt legislative and other comparable measures to ensure the total isolation of South Africa".

(2) Does the provision mandating certain retaliatory measures against foreign companies taking significant commercial advantage of U.S. and compatable sanctions violate the GATT and other U.S. policies?

With regard to GATT, the same exception I have just discussed would apply. In addition, the U.S. has frequently acted to economically penalize third countries undermining U.S. foreign economic policies. The recent Toshiba legislation — directed against companies that did not conform to restrictions agreed upon by the U.S. and other countries — is just the latest example. In the past, we have refused aid to countries which assisted Cuba or permitted their ships to go to North Vietnam; and we have even denied refueling rights in the U.S. to third countries' ships involved in trade with Cuba. Current law denies assistance to countries supporting international terrorism. And the House-passed foreign aid authorization bill provides for the withholding of Economic Support Funds to the extent that a country is buying sugar from Cuba.

I would like, however, to emphasize that the basic strategy for achieving multilateral sanctions in this bill is diplomacy, not economic retaliation. H.R. 1580 requires the President to confer with other nations to achieve cooperative sanctions agreements and to vote in the U.N. Security Council for mandatory sanctions along the lines of this bill. The section on economic retaliation is intended to strengthen the President's hand in these negotiations. It is also drawn rather carefully. Unlike the Comprehensive Anti-Apartheid Act of 1986, it requires a "significant" taking of commercial advantage (which will be determined by the President) and it gives the President more than one retaliation option: A Government-contracting ban as well as import restrictions. The President also has the flexibility to determine the extent of the penalty.

This bill amends the CAAA to provide for a mandatory penalty however, precisely because the President and U.S. Trade Representative have refused to even monitor adequately the issue of other countries undermining our sanctions —— much less to take any action. For example, as the U.S. and other nations have withdrawn credit from South Africa, it has been widely reported that some German and Swiss banks have stepped into the gap. Similarly, South Africa has reportedly found some Far Eastern markets to replace Western coal markets closed down by sanctions. Yet the Administration has done nothing.

(3) Do the import restrictions in the bill jeopardize our imports of strategic minerals from South Africa?

The bill, reported by the Foreign Affairs Committee, contains an exemption for importation of minerals which the President certifies are essential for our economy or defense and are not available from alternative reliable suppliers or through improved U.S. manufacturing processes, conservation, recycling and economical substitution. This provision reflects our self-interest in permitting, for the time being, continued imports of necessary minerals from South Africa. The criteria are similar to those already in effect under the CAAA, but somewhat more explicit because of questions raised in testimony before the Subcommittee on Africa by the Chairman of the Mines and Mining Subcommittee, Congressman Rahall, concerning the President's certification of several minerals of lesser importance. However, we do expect the President to exempt key strategic minerals produced by or exported from South Africa including chromium, platinum groups metals, manganese and cobalt.

Regarding possible retaliation by South Africa against U.S. sanctions, I'd like to make the following points. First, it is extremely unlikely that South Africa would attempt to deny strategic minerals to the West. Were they to attempt this, they could experience devastating retaliation. Mineral sales comprise 20% of their GDP. U.S. or Western gold sales or boycotts could devastate their foreign exchange earnings. But even if South Africa did cut-off strategic minerals, it would not drive us to our knees or to a dangerous dependence on the Soviets. According to expert studies, stockpiles would cushion the initial blow. A lengthy interruption would result in major problems of industrial adaption and added costs, but over time these problems could be substantially overcome through exploitation of domestic and foreign resources and use of existing or new technologies of substitution, recycling or conservation. For example, conservation alone could replace about half of South African chromium imports within five years, and alternative foreign sources could make up the rest.

In estimating possible risks of U.S. sanctions, it should also be remembered that without effective action against apartheid, violence in South Africa and the region may itself cause interruptions in the supply of strategic minerals to the West. Also, whatever problems might result from a cut-off of strategic minerals by the apartheid regime, these could also occur if a black majority regime takes over following a bloody conflict in which the West faild to take a clear anti-apartheid stand.

Finally, Mr. Chairman, I understand that all of the other Committees considering this bill will have completed action by next week. Senate Foreign Relations Committee hearings on this legislation will begin June 22nd. The time is short, and I, therefore, urge you to complete action in full Committee by next week so there will be no delay in getting this bill to the floor and enacting it in the current session.

Chairman **Gibbons**. Well, first we will go to Mr. Crane.

Mr. **Crane**. Well, again, I respect your testimony, Howard, but you generalize about what blacks in South Africa feel and how they're willing to endure, presumably, the injuries and the hardships the sanctions are already imposing on them as a necessary prerequisite to resolving this problem.

I have only visited South Africa once. That was back in 1975. I did talk to a number of black leaders at the time I was there. I was with a delegation and they told us all the same thing together.

Their argument was the best way to pressure that Government was through economic growth and increased dependence upon black labor and moving blacks into managerial positions, and they said that that would, and indeed, was already having a positive effect on that Government.

There have been 14 polls taken of blacks in South Africa in the last 4 years, and of the 14 polls, only 1 showed blacks favoring economic sanctions as a desirable way to make improvements in their condition.

In fact by ratios of as high as 3 to 1, blacks oppose sanctions as a means of remedying the problem, and when you have the polls to go on; when you have Chief Buthelezi who speaks for 6 million blacks; when you have Lucy Mvubelo, who is head of the largest black trade union over there taking the same position—I think we are talking to different blacks who have different perceptions of what is the best way to go.

And you can have honest disagreements in that regard, but looking at the statistical data right now as a result of 2 years of sanctions, I do not see how you can draw the conclusions you are drawing. You propose exerting economic pressure to achieve the positive goal we both want. I favor creating the economic pressure of increased dependency upon blacks in the labor force, in increasingly responsible positions as an alternative to violence and a precondition, through economic power, to achieving political power.

Mr. **Wolpe**. Can I respond to that, Mr. Crane, in two ways. First of all, I have to observe, before getting into this issue of who does or does not support sanctions inside South Africa, that I find it interesting, the focus upon that question as it applies to South Africa.

Maybe I am missing something, but I just do not recall that dimension of the debate when we were talking about Poland, or Nicaragua, or Afghanistan or Libya. And I'm not sure why.

I mean, are we suggesting, perhaps, that we care more about the fate of blacks than we did about Panamanians, or Nicaraguans, or Libyans in these other situations? I am just intrigued by that. Why does this come up here but did not arise in the other sanction questions that have been before this Congress, and in which you yourself have participated?

Mr. **Crane**. Well, if you will yield for just a moment, one of the answers to that question is the distinction I was making with Charlie earlier.

When you are dealing with imperialist dictatorial regimes that are employing the power of Government—and that includes the economic strength of that Government to engage in worldwide terrorism, or to spread their ideology across a national boundary and impose their ideology on other countries with a view to conquest—I think there is a fundamental distinction.

Mr. **Wolpe**. Well, that is interesting because even in the case of South Africa, the issue of apartheid is not simply a domestic internal concern.

The South African regime has become, literally, an international outlaw engaging in constant aggression against virtually all of the regional States. It has occupied——

Mr. **Crane**. Well, wait just a moment. Let me interrupt for a moment there because, as you know, the front-line countries had programs that they were engaged in, in cooperation with the South Africa Government, to permit legal immigrants to come in and work in South Africa, up to about 1.5 million, and those people were sending vital remittances back to countries like Mozambique, for example.

Mr. **Wolpe**. I was simply trying to address your point, Mr. Crane. What I thought you were saying—and maybe I misunderstood your point—is that what differentiates the focus upon the Soviet Union, for example, in comparison to South Africa, is the Soviet Union has engaged in aggression against other countries. I am simply making the point—so is South Africa. South Africa in the past 8 years——

Mr. **Crane**. And Angola. And Angola in support of U.S. policy.

Mr. **Wolpe**. Well, let me state the litany, if you will, of South African aggression. During most of the last 8 years they have occupied Angolan soil. They have supported dissident operations in Mozambique. They have invaded Botswana and Lesotho. They have tried to overthrow the Government of the Seychelles.

They have attempted to destabilize Zimbabwe and they continue their illegal occupation of Namibia in violation of U.S. policy and United Nations' policy.

So that if that is the point you were making earlier, then I submit, again, I do not understand why we raise a unique set of questions as it relates to South Africa, that is engaging in international aggression literally every day.

Mr. **Rangel**. Would the gentleman yield.

Mr. **Wolpe**. I would be pleased to yield.

Mr. **Rangel**. I know it is unusual for witnesses to be asking the members, or the panel questions, but it is not your position, that if you were convinced that the overwhelming majority of the blacks in South Africa would want us to do this, that you would find it clear to support the sanctions, is it?

Mr. **Crane**. If I was convinced that the overwhelming majority——

Mr. **Rangel**. If we had polls and leaders, and a sufficient number of people that, in your mind, truly represented a cross-section of the majority of blacks in South Africa, would then you consider sanctions to be something that might work towards breaking apartheid?

Mr. **Crane**. I would consider that, yes, but I would bear in mind yet one other consideration, and that has to do with our national security, and that is a dimension of the problem, too.

Putting ourselves into a state of dependence for 90 percent of the vital mineral imports essential to national security, our options are to turn to the Soviet Union, and so then you would have to weigh and evaluate which of these two countries you would rather put yourself into a state of dependency upon.

Mr. RANGEL. Let me say this to you, Mr. Crane. That if you take a look at national security, and you count the number of people that like America, and are allies of America, and take a look at the growing number of developing countries and the side that we have been on, and their search for freedom, and the alliances that are going to be made in the future—I can assure you, as a fellow American, that it's in our national security to be on the side of those large numbers of people.

Because what we do, or do not do in South Africa is going to play a very important role as to how the Soviet is perceived in terms of giving support to freedom fighters.

And if I had no compassion, except a feeling for my own national security, I would be compelled to be on the side of those large numbers of blacks that are seeking nothing more than what we are able to enjoy in this country, and that is a national security, anti-Communist position.

Mr. CRANE. Well, to be sure it is, Charlie, but, on the other hand, as I say, if your options are dependence upon South Africa for those strategic minerals, or dependence upon the Soviet Union for those strategic minerals—when the Soviet Union's commitment to worldwide aggrandizement is part of their stated national ideology since the Bolsheviks overthrew Karenski, I think that one can only conclude that you have got many more millions of enslaved people in the Soviet Union. I mean, if you are going to make the equation based on numbers enslaved.

But there is another distinction, and that is, the Soviet Union has the avowed commitment to conquer the world.

Mr. RANGEL. Well, all I am saying is that——

Mr. CRANE. And you do not have that kind of ideological commitment in South Africa.

Mr. RANGEL [continuing]. If you want to take this to its logical conclusion, then one might want to arm the freedom fighters in South Africa and take over that minority racist Government and secure the strategic minerals that are important to our general welfare.

And I suspect that there are people in the White House that would be prone to go to that extent for national security reasons.

Mr. CRANE. Well, I think there are more amicable ways of achieving the objectives that you and Howard and I, and Sam, and all of us share in terms of our ultimate goals, and our ultimate desires.

I am simply questioning the methodology of trying to get there.

Mr. WOLPE. I wonder if I might respond to the second part of the original observation, Mr. Crane, the question that you put to me, as it related to internal support for or against sanctions inside South Africa.

Let me say that my Subcommittee on Africa has spent a lot of time, over a large number of years, bringing in to testify some of this country's leading experts on South Africa. We have brought in South Africans of a variety of persuasions, from Buthelezi, all across the political spectrum inside South Africa.

Let me just indicate, that I frankly do not think that any objective observers of the public opinion in South Africa, within the black population, would even suggest for a moment, that the vast majority of blacks—which I take it is the thrust of your observation—oppose the application of sanctions.

Indeed, the most credible and representative black leaders and organizations in South Africa, such as the leaders of the two largest trade union federations—Congress of South African Trade Union (COSATU) and National Council of Trade Union (NACTU)—the leaders of the largest church grouping, the South African Council of Churches—have consistently endorsed comprehensive sanctions for the reasons that I have outlined earlier.

It is true that Chief Buthelezi is one person of some visibility that has opposed sanctions; however, in the case poll that I think perhaps you were referring to, you will find that less than one-fifth of the respondents in that poll supported the Government or Chief Buthelezi, while about twice as many endorsed the African National Congress, Nelson Mandela, the United Democratic Front (UDF), or other prosanctions groups, and Bishop Tutu.

Indeed, among urban blacks, which are 60 percent of South Africa's work force, Buthelezi and his Incata organization receive no more than 8 percent support in that public opinion poll.

The fact of the matter is that this is not really a close question. Even Chief Buthelezi has said that he would not sit down and negotiate with the Government of South Africa until Nelson Mandela is freed and leading that negotiation.

Even he recognizes that it is Mandela and the African National Congress, as they have articulated the leadership of the liberation struggle, that is speaking for the vast majority of black South Africans.

Mr. CRANE. Let me ask you just one final question. If push were to come to shove, and violence were to develop in South Africa, which side do you think the Zulus will be on?

Mr. WOLPE. First of all, I want to emphasize that our whole effort here is to try to avert that kind of violent struggle, but if your question is whether or not the vast majority of blacks, including Zulus, are opposed to the white regime and apartheid, and if they are forced into that kind of struggle, which side they will be on, I have no question but that the Zulus, including Chief Buthelezi who has maintained an antiapartheid posture all along, would be in opposition to the regime.

Mr. CRANE. You do not think that the regime would figure out how to cut a deal with Buthelezi, period?

Mr. OUTMAN. I think that—yes, if you read closely, Chief Buthelezi's observations, he has never ruled out violence in the opposition to the struggle. I, frankly, would be very surprised if Chief Buthelezi would cut the kind of deal you are suggesting.

Mr. CRANE. I hope it does not come to violence and it does not come to that choice. Thank you.

Chairman GIBBONS. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman. I would like to thank our two colleagues for their testimony. I have been an opponent of apartheid for a long time, and I am a cosponsor of this bill. I certainly intend to support it.

I would be curious, if we could lay to rest the battle of the experts here, as to what the polls show and who is on which side.

Perhaps Mr. Crane and Mr. Wolpe could get together and compare notes, and give us an agreed-upon position.

Mr. **Wolpe**. A consensual view?

Mr. **Pease**. At least an agreed-upon interpretation.

What about the question of circumvention? I have had people come to me and say as U.S. companies are pulling out, what does that mean? That the companies are closing down? No, it does not mean that. It means that they are being sold to South African nationals and continuing to operate, or, they are being sold to Japanese, and other investors, and continuing to operate.

Is there any evidence that these sanctions diminish economic activity at all in South Africa, or does economic activity continue, but under different ownership?

Mr. **Wolpe**. First of all, the South Africa Government itself has acknowledged the economic cost of sanctions in some of their statements. I have included some of that in the written testimony. The statement of the South Africa Reserve Bank. Here it is. You have, for example, Gerhard DeCoque, the governor of the South Africa Reserve Bank, who, in September of 1987 said,

> The basic underlying problems that threaten to isolate us from the rest of the world have not yet been solved.
>
> The outflow of capital, the emigration of skilled people, the large discount on the financial Rand, and the decline in fixed inventory investment, are all sending us messages that we should heed. They are telling us that we must first and foremost convince both the outside world, and ourselves, that we are continuing on the road of peaceful and constitutional reform.

Now I do not know a clearer statement of concern about what is happening to the economy of South Africa, and a recognition that economic deterioration is directly related to the international perceptions of what is happening politically inside that country. I think that is point number one.

Second, there is no question that there has been a wide variety of experiences as it relates to American companies that have voluntarily, disinvested.

In some cases, that disinvestment has been a sham; in other cases it has been real. But the cumulative impact of all of that activity has been to substantially reduce the inflow of foreign capital, of American capital and of foreign capital generally.

So that today, for example, direct American investment in South Africa, a few years back, was somewhere around $2.6 billion. Today it is just about $1 billion. So there has been a very dramatic reduction.

That is partly a reflection of the overall loss of investor confidence in South Africa as a result of that combined combination of economic deterioration inside the country and growing economic pressure from external sources.

On the other question, regarding other countries, and their economic activity, for example, the Japanese have taken on, actually, all of the American sanctions that we have put in place, with one exception—the prohibition on coal imports.

We have enormous leverage in this situation, if we act as a matter of policy, rather than simply trying to encourage voluntary initiatives, because such governments as the Japanese are extraordinarily sensitive to our trade sensitivities at this point.

When the bill was put in place, the Japanese Government understood its importance in terms of how they would respond to that legislation. They embraced, as I say, virtually all of the sanctions, but one, that we had ourselves put in place.

Once we act, we will then be in a position to really leverage comparable actions by other governments. This will, I think, go a long way toward reducing the possibility of other companies and other countries taking economic advantage of the application of our own sanctions. This will essentially strengthen the multilateralization of sanctions.

I should add, finally, that in the legislation before you, is a provision that makes very clear that the President will be authorized to act against companies that seek to take significant economic advantage of the sanctions that are being placed.

There is also language directing the President to seek the multilateralization of sanctions at the earliest possible opportunity.

One of the tragedies of the last few years is that the administration lost an opportunity it had to do something that would have made a profound difference in this entire issue, at virtually no cost to the administration, even given its philosophical bent. It could have supported, inside the United Nations, a resolution that was offered on two different occasions, to take over simply the American sanctions that we had already voted on.

That would have been in our economic interest, to see that kind of international United Nations response. But this administration chose to use its veto on two different occasions to make that impossible.

We would direct that that vote in the United Nations be cast in support of the American sanctions in place.

Mr. PEASE. The figures are readily available from international agencies about trade, capital flows, investment, and all the rest.

Are you saying that those figures show that in actuality the capital flow is less now, or the investment is less, now, from Japan, and the European community, Israel, other investors, than it was before?

Mr. WOLPE. Yes. Actually, in the case of Japan, for example, long before we, they had imposed a prohibition on new investment. So the Japanese did have some franchised operations but they had a ban on the infusion of new capital into South Africa, as do several European countries as well, and Canada.

Mr. PEASE. Is this sort of action reflected in reduced GNP, for example, for South Africa?

Mr. WOLPE. They are growing very slowly, and what the Government of South Africa has testified to, in its public pronouncements, is that the rate of growth is far less than had originally been projected, and far less than is necessary to sustain the economic future of that society.

And there is also the negative per capita growth as well. That is, overall, GNP is growing I think 1 percent per year, but there is negative per capita growth, and the projections now are much lower than the Government believes necessary to sustain its economic future.

Mr. **Pease**. I see. So you have some, not only hope, but expectation, that other major industrial powers in the world will follow suit?

Mr. **Wolpe**. Yes. In fact I am quite confident of that. Let me say two points, though, beyond that.

One is that sanctions alone—let us be very clear about this—are not in and of themselves, going to bring down apartheid.

Sanctions are a means of adding to the costs that the regime must bear for attempting to hold on to its monopoly of power and this dehumanizing political system that is established.

There are ways of reinforcing the pressures that are building inside the country which, in the final analysis, will be the most significant of the factors compelling change within South Africa. So we understand what we are trying to do here.

Second, other Governments will respond once the United States has taken that lead, for some of the reasons that I have indicated, but we are simply in no position to seek that kind of multilateralization if we are not prepared to act in the first instance.

I should say that many countries have already followed the American lead on this already, such as Japan. I believe Great Britain and Germany have likewise pursued policies that have really paralleled ours very, very closely. So that is already demonstrated by previous action.

Mr. **Pease**. This subcommittee is heavily involved in trade policy. What provisions are there in the bill to avoid circumvention? That is, products from South Africa entering the United States via European Community, or any third country at all?

Mr. **Wolpe**. If products are transformed, there is no bar on its importation in the House Foreign Affairs Committee's version of the legislation. I say that because an amendment, unfortunately, which I would hope we could remove, was added in the Banking Committee that would prevent the introduction of even transformed products.

The reason for resisting that kind of transformation, in addition, is that it was terribly complicated, as Mr. Gibbons will attest, to our trading relationships with all of our allies. I think that becomes wholly unworkable, and I think is a way frankly of seeking to kill this kind of needed legislation. So that, I just don't think, is useful.

We do have in there a provision that requires the President to act against companies that seek to take significant economic advantage of the sanctions we have put in place.

One of the sanctions that would be available to the President would be denial of the ability to bid on Federal Government contracts. The other is the ability to impose limitation on imports of that particular company.

Mr. **Pease**. Could those sanctions be applied to foreign-owned companies, non-U.S. companies?

Mr. **Wolpe**. Yes.

Mr. **Rangel**. Yes, and that's in section 6 of the bill which, of course, relates to GATT.

Mr. **Pease**. Is it your opinion that—Charlie, you'd know this better—that we would have problems with the GATT in that respect?

Mr. **Rangel**. Probably. But no greater problems than we had enforcing sanctions against Communist countries.

Mr. **Pease**. Finally, I guess I'd just like to ask whether you have what you would consider to be a realistic expectation that the division in South Africa between black and white can be resolved? In other words, is there any realistic expectation at all that the sanctions will cause the regime in South Africa to give up power or to share power significantly with the black population?

Mr. **Wolpe**. Sanctions are one element of what must be viewed as a medium to long-term policy, adding to the pressure that is building eternally against the regime to begin a process of negotiations that will lead to a sharing of power.

We have one example of where that kind of transformation in fact did take place. That of Rhodesia to Zimbabwe. And at the time it was thought that sanctions would not have any impact.

If you talk to those who are involved in the liberation struggle inside Zimbabwe, they will tell you that sanctions had a profound importance in some ways in that instance more psychologically and politically than even economically. But it had a real impact both on creating a sense of isolation to the white minority and of bolstering the forces of those who were struggling for change.

In addition, the Rhodesian example is very instructive because there have been all sorts of dire forecasts. Whites being all kicked out of Rhodesia/Zimbabwe when it became independent, instead, to the contrary, this Government of Zimbabwe has reached out for whites. Today, there are more whites coming into the country than are leaving. The white commercial farmers of Zimbabwe and the white community is enormously prosperous and successful, and they will tell any American that will listen that we ought to be doing everything we can to assist the Zimbabwean economy and Government in its own development efforts.

Mr. **Rangel**. Don, I suspect that the French probably were asking themselves the same question when they came to our struggle in our revolution for freedom. But I think it's abundantly clear that as long as this minority regime can enjoy the respect that it has from this country, as long as we talk about constructive engagement, as long as we don't demonstrate our willingness to sever them from civilized societies and democracies, there's absolutely no reason to believe that they would capitulate to a majority rule, or even to lessen the pain that they are causing people to suffer.

Mr. **Pease**. Mr. Chairman, let me just make a brief statement. I really appreciate the answers I've gotten today. About 10 years ago, before Mr. Wolpe began his distinguished career on the Foreign Affairs Committee, I served on that committee and sponsored and advanced legislation to provide for sanctions against Uganda, a ban on any imports from Uganda. And at that point I didn't care whether they were effective or not. I hoped that they would be. But I just felt that the atrocities of Idi Amin were of such magnitude that the United States ought to disassociate itself with that regime in every conceivable way. And I am somewhat less optimistic than Mr. Wolpe is about where the sanctions will lead in South Africa. But I do believe there's a parallel here, that the United States, whatever the result might be, should not be associating with that regime that promoted apartheid and deliberately keeps millions and millions of people in essentially slavery.

So that's one reason I'm supporting this legislation and will continue to do so.

Mr. **Wolpe**. If I just may add, Mr. Pease, one of the points that I made earlier is that in these other instances in which we've acted, that has been one of the two main reasons for action, that American national interests required a disassociation from the regime, whatever the internal process of change that was involved.

As far as the process of change that was involved, I would like to make very clear that you're not looking at one who has a high degree of optimism.

My concern here is that American interests are going to be increasingly jeopardized, the more violent, the more radicalized the conflict and struggle in South Africa becomes. And all that I am seeking to do in my role, in terms of the foreign policy mandate that we have, is to try to protect American interests.

And what I'm arguing is simply not that there's going to be an easy or quick solution to the terrible struggle that is taking place inside South Africa, but that America, by its continued economic interaction with that society, is reinforcing the Afrikaner fantasy that they can somehow maintain apartheid indefinitely without fundamental cost. And that is only making things more difficult.

I still remain hopeful that if negotiations can begin within a short time span, that the leadership of the liberation struggle in South Africa consists of individuals who are wholly committed to democratic values and who want to see the creation of a non-racial-political system.

I want to make sure that those people are still in place and that we can in fact see our way to a relatively peaceful transition and can avoid a terrible, terrible blood bath.

Chairman **Gibbons**. I thank the witnesses.

Mr. **Pease**. Thank you very much.

Mr. **Rangel**. Thank you, Mr. Chairman, and members of the committee.

Chairman **Gibbons**. The administration witnesses are next, Mr. McAllister and Mr. Newcomb.

Gentlemen, I understand you're in a hurry, so let's get started as quickly as possible.

STATEMENT OF HON. EUGENE J. McALLISTER, ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE, ACCOMPANIED BY GIL KULICK, DEPUTY DIRECTOR OF THE OFFICE OF SOUTHERN AFRICAN AFFAIRS

Mr. **McAllister**. Thank you, Mr. Chairman, and members of the subcommittee.

My name is Eugene McAllister. I'm Assistant Secretary of State for Economic and Business Affairs.

With me is Gil Kulick, Deputy Director of the Office of Southern African Affairs.

It is my pleasure to testify today before the subcommittee on H.R. 1580, the Comprehensive Anti-Apartheid Amendments of 1988. I would like to offer comments on both the original version of the bill and the amended version, as reported by the Committee on Foreign Affairs.

As you are aware from previous testimony, the Department of State strongly opposes this bill. I would like to focus my comments today on the economic and trade implications of the bill. Before doing so, allow me to restate the principal elements of our opposition to this legislation.

U.S. sanctions imposed in 1986 have not led to positive changes in South Africa; rather, political polarization has increased, and the Government of South Africa has adopted an increasingly defiant tone toward the U.S. and the West.

Sanctions have indiscriminately struck at the entire South African economy, hurting many black workers and closing off avenues for black economic advancement.

South Africa has become less tractable on many regional issues, and further sanctions could jeopardize a potential settlement of the conflict over Namibian independence and Cuban troop withdrawal from Angola which is currently under negotiation.

Added to these factors must be the direct costs and potential risks to the U.S. economy and to our economic relations with our major overseas partners. I will now turn to these issues.

In examining the proposed sanctions, both the original bill and the version reported by the House Foreign Affairs Committee, two types of costs are readily apparent.

Direct costs to the U.S. economy and costs to the international economic system. I would like to comment on both areas.

Direct costs to the U.S. economy result from two causes. One, the broad trade sanction provisions and, two, the ban on U.S. investment in South Africa.

The trade sanctions proposed in this bill will have a direct negative impact on the U.S. economy.

Virtually all of our over $1 billion in annual exports to South Africa will be eliminated, with particularly immediate and important costs for U.S. firms producing electrical and nonelectrical machinery and transport equipment.

The United States purchased about $1.4 billion in South African goods in 1987. Some 70 percent of these imports were of strategic minerals, more than half $727.8 million coming from imports of platinum group metals. Sanctions risk South African action to disrupt U.S. access to these key strategic materials.

The 1973 Arab oil embargo may provide an example. In that case, alternative suppliers were eventually found or developed, but only after substantial disruption in a wide range of U.S. economic sectors.

By further reducing uranium imports, as proposed by the House Foreign Affairs Committee, hundreds of millions of dollars of uranium processing contracts will be endangered and our nuclear nonproliferation goals will be jeopardized.

The investment sanctions and divestiture requirements will have perverse, not positive, consequences. U.S. investors will be forced to sell their investments at fire sale prices far below their market value. The beneficiaries will almost certainly be white South African investors.

Let me briefly discuss some of the costs to the international economic system.

The proposals contained in the bill will have costs for the international economic system in two broad areas: one, disruption of our bilateral relations with major trading partners through the mandatory, extraterritorial reach enforcement of the legislation; and, two, impairment of U.S. objectives in the GATT, particularly as a result of GATT disputes with trading partners.

The mandatory extraterritoriality and enforcement provisions of this legislation, particularly the version reported by the Committee on Foreign Affairs, would disrupt international trade; lessen confidence abroad in the United States as a source of goods and technology, and seriously disrupt the wide range of economic cooperation with our allies and major trading partners.

The bill's sweeping extraterritorial reach will affect a huge range of products, countries and individuals. Let me illustrate briefly some of those who could be affected by the bill.

U.S. citizens working abroad for subsidiaries of U.S. companies could be penalized severely under this bill if the firm they work for is compelled to obey host country law and reexports U.S. goods to South Africa in violation of U.S. law.

Officers of foreign corporations, including foreign citizens who use U.S.-origin technology to manufacture products traded to South Africa 1 year after enactment of the bill, would be subject to penalties.

Foreign companies which trade with South Africa, and are determined to have fill in behind U.S. companies, would face mandatory restrictions and could even be totally shut out of the U.S. market. Indeed, as currently drafted, the bill would appear to subject to penalties any foreign citizen who owns any investment in South Africa if he sets foot in the United States 1 year after enactment.

I cannot emphasize enough the sensitivity of foreign governments to this sort of interference in their trade by U.S. legislation.

Without exaggeration, the extraterritorial aspect of U.S. trade control legislation is one of the most highly sensitive areas we have in our foreign relations—especially among our closest allies, whose cooperation we need in export control undertakings.

Just yesterday, the Department of State received demarches from the European Community and from the United Kingdom expressing serious concern with the extraterritorial provisions of this bill. If this legislation is enacted, I believe we will have serious confrontations with our major trading partners.

For example, if a U.K. subsidiary receives orders from its U.S. parent not to ship U.S.-origin graphic arts supplies to South Africa, in other words to obey the proposed U.S. embargo, and does this, then a U.K. court could conceivably enforce any valid contract that the U.K. subsidiary has with its South African customer.

Or, if there is blocking legislation in place, the U.K. Government might order the U.S.-owned U.K. subsidiary to fulfill its contract and to violate our embargo.

I can imagine a number of other hypothetical examples, and we all have recent memories of the friction and frustration engendered by the Soviet Natural Gas Pipeline episode.

Suffice it to say that the bilateral, diplomatic and legal disputes that result from these conflicts will distract us from seeking effective, cooperative approaches to South Africa's widely deplored apartheid policies.

Not only could foreign governments pressure U.S. subsidiaries to disobey the U.S. trade ban, but the task of monitoring compliance by importers will be onerous. The Banking Committee's report stipulates that no product may be imported into the United States which incorporates any South African component. Even with extensive monitoring and a complex certification process, there is no assurance of effective enforcement.

We may have to require that each piece of foreign steel imported into the United States bear a certification that it does not contain alloys from South Africa. The imposition of such a requirement will be costly and may well be regarded as a non-tariff-trade barrier by our trade partners.

The sanctions envisioned in the bill raise various serious questions of consistency with U.S. GATT obligations. South Africa is a member of the GATT and, as such, must be accorded national treatment and MFN status by other contracting parties.

The sanctions deny national treatment and MFN status to South Africa. The only possible legal justification is a national security exception in article 21 of the GATT.

The extension of sanctions to third countries mandated by subsection 6(c) of the Foreign Affairs Committee bill would also have to be justified under article 21. While we do not expect the South Africans to be successful in challenging our use of this article, this larger application will lead to serious disputes with and protests by our traditional trading partners who would challenge our use of article 21 and seek compensation. I make note that article 21 is not a free ride. If we claim the shelter of article 21, we still owe trade compensation for the damage we inflict. If we do not compensate, those affected by our use of article 21 can retaliate against our exports.

These actions would undermine our broader efforts to bring more discipline to the GATT and harm U.S. credibility at a time when we are pressing for major changes in the international trading system in the Uruguay round negotations.

Mr. Chairman and Mr. Crane, I have attempted to outline some of the very real costs which this bill would impose on U.S. businesses, investors, labor and consumers. In addition, I have pointed to the major problems this bill would cause both to our principal trading partners and to U.S. interests internationally.

As administration representatives have testified on numerous occasions before the House, sanctions have not led to an improvement in the situation in South Africa, let alone to the stated goal of abolishing apartheid.

The effect of the proposed sanctions will be to impose economic hardship on U.S. economic interests and those of our major trading partners, dividing rather than uniting the Western countries in the struggle to end apartheid.

Thank you very much, Mr. Chairman.

[The statement of Mr. McAllister follows:]

PREPARED STATEMENT OF EUGENE J. MCALLISTER
ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS
DEPARTMENT OF STATE
before the
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
June 9, 1988

H.R. 1580 and South African Trade Sanctions

Thank you Mr. Chairman and Members of the Subcommittee: Good afternoon. My name is Eugene McAllister. I am Assistant Secretary of State for Economic and Business Affairs. With me is Gil Kulick, Deputy Director of the Office of Southern African Affairs.

Introduction

It is my pleasure to testify today before the Subcommittee on H.R. 1580, the Comprehensive Anti-Apartheid Amendments of 1988. I would like to offer comments on both the original version of the bill and the amended version as reported by the Committee on Foreign Affairs.

As you are aware from previous testimony here in the House, the Department of State strongly opposes this bill. I would like to focus my comments today on the economic and trade implications of the bill. Before doing so, allow me to restate the principal elements of our opposition to this legislation:

-- U.S. sanctions imposed in 1986 have not led to positive change in South Africa; rather, political polarization has increased and the Government of South Africa has adopted an increasingly defiant tone toward the U.S. and the West.

-- Sanctions have indiscriminately struck at the entire South African economy, hurting many black workers and closing off avenues for black economic advancement.

-- South Africa has become less tractable on many regional issues, and further sanctions could jeopardize a potential settlement of the conflict over Namibian independence and Cuban troop withdrawal from Angola which is currently under negotiation.

-- Added to these factors must be the direct costs and potential risks to the U.S. economy and to our economic relations with our major overseas partners. I will now turn to these issues.

Overview

Among the direct costs and potential risks to the U.S. economy and our foreign economic relations are four specific issues which I would like to highlight. In summary form, these four problem areas are:

1) The direct impact of trade sanctions on the U.S. economy. This bill would virtually eliminate over $1 billion in U.S. exports to South Africa, with immediate and important costs for U.S. firms producing electrical and non-electrical machinery and transport equipment. In addition, we risk South African action which could disrupt U.S. imports of key strategic materials.

2) The sanctions envisioned in the bill raise very serious questions of consistency with U.S. GATT obligations and threaten to undermine U.S. credibility at a time when we are pressing for major changes in the international trading system in the Uruguay Round negotiations.

3) The mandatory extraterritoriality and enforcement implications of this legislation, particularly the version reported out by the Committee on Foreign Affairs, would seriously damage our relations with major trading partners and could result in their decision to avoid or minimize the use of U.S.-origin inputs and technology.

4) The investment sanctions and divestiture requirements will have perverse, not positive, consequences. U.S. investors will be forced to sell their investments at "fire sale" prices less than their fair market value. The beneficiaries will almost certainly be white South African investors.

Let me elaborate on each of these points.

Impact of Trade Sanctions on the U.S. Economy

The trade sanctions proposed in this bill will have a direct negative impact on the U.S. economy:

- virtually all of our over $1 billion in annual exports to South Africa will be eliminated;
- disruption of U.S. imports of key strategic minerals will be threatened; and,
- by further restricting uranium imports, hundreds of millions of dollars of uranium processing contracts will be endangered, and our nuclear non-proliferation goals will be jeopardized.

The U.S. exported over $1.1 billion of goods to South Africa in 1987. The bulk of these exports consisted of electrical and non-electrical machinery and transport equipment. If virtually all export trade to South Africa is banned, as contemplated by this bill, American business will lose important markets and will be forced to seek new ones in a highly competitive trade environment. Many of our exports to South Africa are highly specialized and custom-made and would not easily find markets elsewhere.

On the import side, the U.S. purchased about $1.4 billion in South African goods in 1987. Some 70 percent of these imports were of strategic minerals, more than half ($727.8 million) coming from imports of platinum group metals. In addition to platinum, South Africa is a vital source of or transit point for such key minerals as chromium, cobalt, industrial diamonds, manganese, rutile, vanadium, asbestos, antimony and andalusite.

Although the bill provides for a complicated and probably ineffective waiver process to permit importation of strategic minerals, we should not risk disruption in markets either through future South African actions or through heightened uncertainty about such actions. The impact of disruptions would be far-reaching. Not enough non-South African platinum and rhodium exist to meet U.S. demand, even including all Soviet Bloc exports to the West, resulting in sharply higher prices to U.S. users. U.S. dependence on Bloc supplies of chromium and palladium would rise substantially. U.S. firms would suffer, both in terms of price and quality, if forced to seek alternative suppliers.

The 1973 Arab oil embargo may provide an example. In that case, alternative suppliers were eventually found or developed, but only after substantial disruption in a wide range of U.S. economic sectors. A complete South African cutoff is not necessary -- temporary supply disruptions and uncertainty of supply would have substantial negative effects on the U.S. economy.

Section 302(d)(1) of the Foreign Affairs Committee version of the bill would extend the ban on uranium imports contained in the 1986 Act to include imports of South African origin uranium hexafluoride (UF6). Several foreign utilities, chiefly in the Far East, have long term contracts for South African origin uranium that is first to be processed in the U.S. If foreign customers choose to break their existing contracts with U.S. processors, the Departments of Energy and Commerce have estimated that U.S. processors, particularly the Department of Energy's uranium enrichment enterprise, potentially stand to lose hundreds of millions of dollars annually and thousands of jobs to European and perhaps Soviet competitors. U.S. trade imbalances with trading partners such as Japan and Taiwan would worsen accordingly.

Apart from the damage the UF6 import restriction could cause in dollar and job terms, it would undermine the Administration's efforts to enhance this country's reputation as a reliable supplier of nuclear related goods and services, essential to the maintenance of our competitive position and our nuclear non-proliferation objectives.

Inconsistency of Sanctions with U.S. GATT Obligations

U.S. trade sanctions, particularly the secondary boycott features in the Foreign Affairs Committee version, could:

-- lead to serious GATT disputes with our major trading partners, and

-- make more difficult the attainment of U.S. objectives in the Uruguay Round.

A basic premise of GATT rules is the principle that trade must be conducted on the basis of national treatment and non-discrimination (the "Most-Favored-Nation" clause). The existing sanctions in the Comprehensive Anti-Apartheid Act of 1986 clearly deny national treatment and MFN status to South Africa. The only possible legal justification is the national security exception in Article XXI of the GATT. Reference to Article XXI would also be necessary if we were required to justify legally further punitive economic sanctions against South Africa.

While we do not expect the South Africans to successfully challenge our use of Article XXI, subsection 6(c) of the Foreign Affairs Committee bill would mandate economic retaliation--in effect, a secondary boycott--against foreign companies taking commercial advantage of U.S. sanctions. Extending the use of Article XXI to justify such secondary boycotts could undermine our efforts to bring more discipline to the GATT. And it would lead to serious disputes with and protests by our traditional trading partners, who will challenge our use of Article XXI and seek compensation. It is important to note that Article XXI is not a free ride. If we claim the shelter of Article XXI we still owe trade compensation for the trade damage we inflict. If we do not compensate those affected, they can retaliate against our exports.

As an example, this bill would ban U.S. exports of electrical machinery to South Africa. A Canadian, British or West German firm which increased its sales of similar equipment to South Africa could be found to be taking commercial advantage of U.S. sanctions. The Foreign Affairs Committee version of the bill would appear to require U.S. retaliation to limit U.S. imports from that country. Such action would likely be challenged, and compensation sought, in the GATT.

We are at an important point in our efforts in the Uruguay Round negotiations in Geneva to improve international trading rules in such key areas as agriculture, investment, services, intellectual property and dispute settlement.

Any actions which undermine the credibility of our commitment to the GATT will have important negative ramifications for those efforts.

Mandatory Extraterritorial Reach and Enforcement

The extraterritorial effects of this bill will:

-- disrupt world trade,

-- lessen confidence abroad in the U.S. as a source of goods and technology, and,

-- seriously disrupt a wide range of economic cooperation with our allies and major trading partners.

Among the most troublesome provisions are the following:

-- The original bill prohibits export or reexport to South Africa of all goods, technology and information subject to the jurisdiction of the United States under the Export Administration Act of 1979 or any other provisions of U.S. law (the Foreign Affairs Committee version slightly rewords this prohibition and provides an exception for agricultural goods and publications);

-- the Foreign Affairs Committee version would also cover exports and reexports to South Africa of products manufactured with U.S.-licensed technology, including those made entirely abroad by U.S.-controlled companies;

-- the original version of H.R. 1580 gives the President discretion to limit the importation of any product or service from a foreign company which takes commercial advantage of a prohibition imposed by the Act. The Foreign Affairs Committee amendments would make mandatory either an import ban or a restriction on contracting with the U.S. Government for companies which violate this provision; and,

-- the definition of "persons subject to jurisdiction of the United States" appears to permit the full penalties of the law to be applied to foreigners trading with South Africa who travel to the United States.

In summary, it appears that this bill will have a sweeping extraterritorial reach and will affect a huge range of foreign products and trading partners. I must stress that the extraterritorial aspect of U.S. trade control legislation is a highly sensitive area, especially among our closest allies whose cooperation we need in export control undertakings. In fact, on June 8, the Department of State received a demarche from the European Community and separately from the United Kingdom expressing serious concern with the extraterritorial provisions of this bill. If this legislation is enacted, I believe that we will have serious confrontations with our major trading partners.

There are two reasons for this. First, it is unlikely that all of our trading partners will adopt the kind of sanctions provided for here. Second, in response to this sort of U.S. legislative initiative, several of our trading partners have enacted blocking statutes which can be used to compel companies--including subsidiaries of U.S. firms--to disregard U.S. law and obey foreign law. A few hypothetical examples may illustrate my point.

If a German subsidiary receives orders from its U.S. parent not to ship U.S.-origin graphic art supplies to South Africa, in other words to obey the U.S. embargo, and does this, then a German court could conceivably enforce any valid contract the German subsidiaries has with its South African customer.

Or, if there is blocking legislation of the type alluded to earlier, the government might order the U.S.-owned subsidiary to fulfill its contract and violate our embargo. I can imagine a number of other hypothetical examples and we all have recent memories of the friction and frustration engendered by the Soviet natural gas pipeline episode. Suffice it to say that the bilateral diplomatic and legal disputes that result from these conflicts will distract us from seeking effective, cooperative approaches to South Africa's widely deplored apartheid policies.

In order to prevent the sort of dispute that resulted from the U.S. assertion of extraterritorial jurisdiction in the pipeline case, the OECD Council of Ministers agreed that when contemplating new legislation each OECD member country would "follow an approach of moderation and restraint" and "take fully into account the sovereignty and legitimate economic, law enforcement and other interests of other member countries." This bill moves us in the opposite direction from these commitments.

In addition to the potential conflicts with foreign governments, the task of monitoring compliance by importers will be onerous. The Banking Committee's report stipulates that no product may be imported into the United States which incorporates any South African component. This will require extensive monitoring and a certification process of some sort. We may have to require that each piece of foreign steel imported into the United States bear a certification that it does not contain alloys from South Africa. The imposition of such a requirement will be costly and may well be regarded as a non-tariff trade barrier by our trade partners.

A final example from the energy area, section 3 of HR 1580, as reported by the Foreign Affairs Committee, would prohibit issuing federal leases to any U.S. firm controlled by foreigners with investments in South Africa.

Shell and BP jointly own a 155,000 b/d refinery in Durban and have major operations in the U.S. Shell has extensive interests in offshore U.S. leasing. BP is a major producer on Alaska's North Slope. Both, to protect their interests in the U.S., would be forced to divest their holdings in the South African refinery. But, the refinery will continue to operate under South African Government or private control. Apartheid would not be damaged, but our interests would.

That is not all. As is the case of our proposed trade sanctions, forced divestiture would trigger a major confrontation with the UK, home country to both of these multinationals. However the sensitive question of the mandatory reach of U.S. law abroad was eventually resolved, the net effect, again, would be to divert our joint attention from South Africa's problems to a bilateral legal issue.

The precedent also disturbs me. In the event of future tension in the Middle East, could not oil exporting countries impose similar requirements on U.S. companies operating in Israel? Could we effectively oppose those sanctions if we applied similar sanctions to South Africa? These few examples, Mr. Chairman, should be enough to convince anyone that this bill will disrupt not only South Africa's trade but that of the rest of the world as well. More importantly, it will strain unnecessarily the important cooperative relationships we have with our major trading partners and allies.

Investment

This bill will force divestiture at prices well below market value, benefitting either the South African Government or white South African investors. Apartheid will be rewarded by these sanctions.

Section 301 of the bill provides that "A United States person may not purchase acquire, own, or hold any investment in South Africa." The bill would require U.S. investors to dispose of their investments in South Africa within six months of the enactment of the bill, or within a year if the investor receives a Presidential waiver. The Foreign Affairs Committee version of the bill would permit lenders to retain loans made under agreements reached before April 20, 1988.

We believe that the bill's requirement to disinvest and its prohibition on rescheduling loans will have perverse, not positive, consequences.

It is likely that the requirement to disinvest within such a short period of time would force U.S. investors to sell their investments in South Africa at prices far below their real market value.

In fact, this statement is supported by what has occurred in South Africa. Just over one half of the U.S. companies with direct investment in South Africa have withdrawn since 1984. U.S. direct investment declined from about $3.2 billion in 1984 to about $1 billion at the end of 1987.

The U.S. companies have sold their investments to white South African investors, often at fire sale prices. The South African press has reported that canny South African businessmen have become millionaires overnight by buying U.S. companies. Not one U.S. company has turned over its investment to a black owner, although one U.S. firm has given some of its shares to an employees' trust.

The immediate beneficiaries of U.S. disinvestment have been and almost certainly will be white South African investors.

I would like to note here that U.S. investors in South Africa have spent $200 million on financial aid to employee housing and education, assistance to detained employees, managerial training programs, and other social responsibility programs. Only rarely do the new South African owners continue these programs.

The bill would also end the ability of U.S. lenders to reschedule the $2.8 billion in loans they made in South Africa before the 1986 Comprehensive Anti-Apartheid Act and continue to hold. Investors will be forced to hold their loans or sell them at a discount. In the case of discounting, the beneficiaries of this provision would be the individual South African borrowers and the South African Government, which would welcome a reduction in foreign exchange outflows. Perversely, the provision may even provide an incentive to the South African Government to substitute itself as the borrower, as it may do under existing South African law, and to refuse to repay the loans.

To conclude, the bill's investment provisions could cause substantial losses to U.S. investors and lenders, would bring benefits to white South African investors, and would not help the oppressed peoples of South Africa.

Conclusion

Mr. Chairman and members of the Subcommittee -

I have attempted to outline some of the very real costs which this bill would impose on U.S. businesses, investors, labor and consumers. In addition, I have pointed to major problems this bill would cause both to our principal trading partners and to U.S. interests internationally.

As Administration representatives have testified on numerous occasions before the House, sanctions have not led to an improvement in the situation in South Africa, let alone to the stated goal of abolishing apartheid.

The effect of the proposed sanctions will be to impose economic hardship on U.S. economic interests and those of our major trading partners, dividing rather than uniting the Western countries in the struggle to end apartheid.

Chairman GIBBONS. Thank you.

Does the other gentleman have a statement?

Mr. MCALLISTER. No, sir.

Chairman GIBBONS. Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman.

Mr. McAllister, isn't it true that, in addition to violating article 1 of the GATT that requires all countries to be treated equally on a most-favored-nation basis, that these provisions of the bill would also nullify and impair the benefits of other GATT trading partners and require significant compensation by the United States under article 23?

Mr. MCALLISTER. It could very well. If we extend, as opposed to the Foreign Affairs Committee, coverage to products containing material imported from South Africa, they would be entitled to compensation from us.

Mr. CRANE. Have you got any kind of a ballpark figure as to how high that could go?

Mr. MCALLISTER. I have no idea how high that could go. I imagine it could very well be sizable.

Mr. CRANE. Do we not have an obligation to construct any trade sanctions against South Africa in a manner that is consistent with GATT?

Mr. MCALLISTER. These sanctions could be consistent with GATT if we use article 21. The consistency problem comes in that if we are to abide by GATT, we will have to pay compensation. In addition, it could very well create enormous bilateral political irritants with our major trading partners.

Mr. CRANE. Isn't GATT article 21 a fairly narrow exception to normal GATT rules governing nondiscrimination amongst countries for national security reasons?

Mr. MCALLISTER. I think in good faith we would have to make a case on a narrow basis more broadly. If you make such exceptions, the greater pressure you put on GATT as an institution.

Mr. CRANE. And doesn't it only govern essential security interest relating to fissionable materials, traffic and arms of those actions taken in time of war?

Mr. MCALLISTER. Well, we have used section 21 in our embargo on Nicaragua. One of the advantages when we do take sanctions against terrorist countries, is that many of these countries are either not members of GATT or have not sought compensation if they are GATT members.

Mr. CRANE. And finally, Mr. McAllister, are not the general exceptions of GATT article 20 designed to permit action to be taken to protect public morals and the health and safety of citizens living within the country taking the action? And does it not also mandate that such actions be taken in a manner which would not discriminate between countries?

Mr. MCALLISTER. MFN requires that you take actions in a manner that does not discriminate between countries.

Mr. CRANE. Thank you, sir.

Chairman GIBBONS. We understand that you have to leave.

Mr. MCALLISTER. I have nothing else to add, Mr. Chairman.

Chairman GIBBONS. We will dismiss you then.

Mr. MCALLISTER. Thank you very much, Mr. Chairman.

Chairman GIBBONS. Mr. Newcomb.

STATEMENT OF R. RICHARD NEWCOMB, DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL, U.S. DEPARTMENT OF THE TREASURY

Mr. NEWCOMB. Thank you, Mr. Chairman, Mr. Crane.

I'm pleased to testify before the committee this afternoon on the South Africa sanctions programs currently in force, and on H.R. 1580, the Comprehensive Anti-Apartheid Amendments of 1988, as reported by the Committees on Foreign Affairs and on Banking, Finance and Urban Affairs. The Treasury Department strongly opposes this bill.

Foreign Assets Control is the office within the Treasury Department that's responsible for implementing the import, financial, and new investment prohibitions of the Comprehensive Anti-Apartheid act of 1986.

To keep my oral testimony brief, I will just touch upon our implementation of the 1986 act's provisions, and will focus primarily on the impact Treasury believes H.R. 1580 would have on the U.S. trade, finance, and on the U.S. economy as a whole.

The Treasury Department is responsible for implementing the current act's import prohibitions on such things as South African gold coins, agricultural products and food, iron and steel, sugar, uranium ore, uranium oxide, coal, textiles, and products from parastatal organizations, and the prohibitions against loans and new investments. We coordinate and oversee the activities of the Treasury Department pursuant to the act. And in enforcing its prohibitions, we're supported primarily by the Customs Service.

Enforcement of the current sanctions program, as mandated by the act, is among the highest priorities of our office and of the Customs Service. Customs currently has over 15 ongoing investigations and has instituted several penalty actions against importers who have attempted to circumvent the South African import prohibitions. We will continue to work with Customs in pursuing these cases, both civilly and criminally as appropriate to the full extent of the law.

Let me now turn to the provisions of H.R. 1580, as reported by the Committees on Foreign Affairs and Banking and Finance. The Treasury Department is strongly opposed to this bill. Of particular concern to us are the provisions requiring, first, the embargoing of most trade transactions with South Africa; second, the forced divestiture of U.S. interests in South Africa; third, the termination of any flexibility of U.S. banks in collecting on existing loans; and, fourth, the extraterritorial extension of the import, export and investment prohibitions to foreign nationals outside the United States.

First, H.R. 1580 requires a virtual trade ban on South Africa. The loss of existing contracts to U.S. exporters and importers, and the immediate need to replace supply sources and export markets might cause severe dislocations and bring higher prices in key U.S. economic sectors.

We're concerned about the McCollum amendment adopted by the Committee on Banking and Finance. This amendment to the bill's import sanctions would prohibit importation of third country products containing components of South African origin. Enforcement of this provision would be extremely cumbersome requiring Customs to determine whether South African content was included in virtually all imported items.

Our trading partners, none of whom has adopted such a matching trade sanction, will, in all likelihood, view the exclusion of their products under this provision as a nullification of the benefits under GATT, and retaliate against U.S. exports or seek compensation.

South Africa does not have to rely on U.S. exports given the foreign availability of the majority of goods traded by U.S. exporters. Thus, we believe the major direct impact of the export sanction would fall on U.S. exporters, importers and consumers, and on black employment in South African export industries.

Second, the bill requires U.S. nationals, within a period of 6 months, to divest themselves of any investment in South Africa. Investment in South Africa is defined to include equity interests, capital contributions, loans made before April 20, 1988, and an undefined concept called control of a South African entity, where no equity, loan or capital interest is involved. It is unclear, but control may even cover such things as contracts for management services or trademark licenses essential to the success of a business. We are dealing here with a definition of investment that bears no relationship to the normal use of that term in the business and financial communities.

The clear impact of the requirement for forced divestiture is the immediate and irreversible loss of value of assets held by U.S. investors and corporations. Treasury had in the past, and will continue, to oppose this proposal.

Forced disinvestment runs counter to this administration's policy that international capital markets and foreign investment remain free of controls. For U.S. investors holding South African securities, changing the rules established in the 1986 act guarantees that the market value of their investments will plunge over the 6-month grace period. Many American portfolio investors may own preenactment shares in South African entities. This could involve investments of U.S. mutual funds. I cannot quantify the amount, but the value of these investments would also suffer as a result of the legislation.

On the corporate side, disinvestment will lead to a loss of job opportunities in South Africa, the possible demise of enlightened, nondiscriminatory labor policies and windfall gains for South African companies. American companies will be lucky to receive any reasonable offers for assets with a 6-month deadline for divestiture.

Why would South Africans or purchasers of any nationality pay fair value for assets when they know their would-be sellers must divest at any price within weeks to comply with U.S. law. Further, South African exchange controls will create additional losses as U.S. companies convert their proceeds into U.S. dollars at the lowest financial rand exchange rate. Such intended injury to the U.S. parent companies arising from forced divestiture may constitute a compensable taking of property under the fifth amendment to the Constitution.

What will be the practical impact of this move for the South African economy beyond a reduction in job opportunities? Perhaps black workers will be able to finance the purchase of their U.S.-controlled employers. However, past experience indicates that the more likely scenario is that businesses will be acquired by white South African interests on terms very advantageous to those investors.

Unfortunately, the bill's call for negotiations with worker representatives cannot arm the workers with sufficient economic power to finance purchases of U.S. assets in South Africa. Nor does the bill continue even the limited exception in the present Act which authorizes investments in firms owned by black South Africans, so that acquisition loans to workers' representatives would not be possible. H.R. 1580 is therefore likely to lead to further concentration of economic power in white hands, and at fire sale prices.

The second aspect of the disinvestment provision in H.R. 1580 I wish to address is the proposal to end U.S. lenders' ability to reschedule loans made in South Africa prior to the 1986 act.

The present Act and its legislative history permits such rescheduling to avoid injury to U.S. lenders caught in South Africa's 1985 debt moratorium measures, which limit the repatriation of hard current loan proceeds, and which permit the South African Government to substitute itself for private-sector borrowers on such loans.

The bill would terminate this protection for U.S. lenders and require that loans made under agreements reached prior to April 20, 1988, be repaid strictly in accordance with their existing terms. If not, the loans would be treated as prohibited investments in South Africa and subject to the mandatory divestment provision. As noted, South African law permits the Government to substitute itself as a borrower on existing hard currency loans. Such a substitution is treated as a rescheduling under the present act in accordance with its legislative history. This gives the South African Government the unilateral ability to trigger a divestiture requirement on outstanding loans. The loans would have to be either sold, probably at fire sale prices, or otherwise divested.

Finally, the extraterritorial application of the proposed disinvestment requirements will cause intense diplomatic friction and potential third-country retaliation against the United States. This result would arise because the bill enunciates a disinvestment policy for assets owned, not only by U.S. corporations but by third-country entities that are owned or controlled by U.S. nationals. The breadth of this extraterritorial assertion of U.S. jurisdiction has previously been reserved for wartime conditions in sanctions programs adopted pursuant to the Trading with the Enemy Act. And even in wartime, the United States has not required its own nationals to divest themselves of foreign investments, but has focused on U.S. holdings of U.S. countries.

To summarize our opposition to 1580, it would do more harm than good for U.S. interests when viewed from an economic or foreign policy perspective.

Thank you, Mr. Chairman. I will be pleased to respond to your questions.

[The statement of Mr. Newcomb follows:]

PREPARED STATEMENT OF R. RICHARD NEWCOMB
DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL
DEPARTMENT OF THE TREASURY

before the

SUBCOMMITTEE ON TRADE
of the
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

June 9, 1988

The South African Sanctions Program and H.R. 1580

Thank you Mr. Chairman and Members of the Committee:

Good afternoon. My name is Richard Newcomb. I direct the Office of Foreign Assets Control at Treasury. It is a pleasure to testify before the Committee on the South African Sanctions Program currently in force and on H.R. 1580, the Comprehensive Anti-Apartheid Amendments of 1988, as reported by the Committees on Foreign Affairs and on Banking, Finance and Urban Affairs. The Treasury Department strongly opposes this Bill.

Foreign Assets Control ("FAC") is the office within Treasury responsible for implementing the import, financial, and new investment prohibitions of the Comprehensive Anti-Apartheid Act of 1986 (the "Act"). I would like to give you a brief overview of our implementation of certain of the Act's provisions, and then to comment on the impact Treasury believes H.R. 1580 would have on U.S. trade, finance, and on the U.S. economy as a whole.

The Department of Treasury is responsible for implementing the Act's import prohibitions on such things as South African gold coins, agricultural products and food, iron and steel, sugar, uranium ore, uranium oxide, coal, textiles, and products from parastatal organizations (i.e., organizations owned or controlled by the Government of South Africa), and the prohibitions against loans and new investment. FAC coordinates and oversees the activities of Treasury pursuant to the Act. In enforcing the Act's import prohibitions, FAC is supported by the U.S. Customs Service.

FAC's experience in sanctions enforcement dates back to the period prior to U.S. entry into World War II. Today, in addition to the South African sanctions program, we have eight other programs in place against North Korea (since 1950), Cuba (since 1963), Vietnam (since 1964), Kampuchea (since 1975), Nicaragua (since 1985), Libya (since 1986), Iran, first in 1979 and a second time in 1987, and now against Panama, pursuant to sanctions imposed by President Reagan on April 8.

The Act prohibitions on the importation of krugerrands and on lending to the South African Government closely followed those in the pre-existing Executive Order sanctions adopted in the autumn of 1985. The Act and its legislative history indicated that the Senate Foreign Relations Committee staff was guided by existing Treasury regulations and interpretations in drafting the krugerrand and government loan prohibitions of the Act and directed that we continue existing practice where not inconsistent with the Act's language. Section 301 of the Act expanded the krugerrand ban to include all South African gold coins, in the event other gold coins are minted in the future. With that note, thus, FAC and Customs Service enforcement of the gold coin import prohibition was already in place on the Act's effective date. Similarly, the prohibition on new lending to the South African Government and its controlled entities had been fully implemented in 1985.

Enforcement of the current South African sanctions program as mandated by the Act is among the highest priorities of FAC and the Customs Service. Customs currently has 15 on-going investigations and has instituted several penalty actions against importers who have attempted to circumvent the South African import prohibitions.

We will continue to work with Customs in pursuing these cases both civilly and criminally, as appropriate, to the full extent of the law.

Upon passage of the Act, FAC, in cooperation with bank supervisory agencies, contacted all banks known to hold accounts of the South African Government and its controlled entities, to inform the banks of the prohibition on accepting or holding such accounts under section 308 of the Act. FAC implemented the exception permitting diplomatic and consular accounts by issuing specific licenses to cover each such account in the United States.

Section 310 of the Act, which contains the prohibitions against loans and new investments, requires that "no national of the United States may directly or through another person, make any new investment in South Africa." (22 U.S.C. 5060). "New investment" is defined as "a commitment or contribution of funds or other assets" and "a loan or other extension of credit." (22 U.S.C. 5001). Under these provisions, a disinvesting U.S. parent corporation may not extend credit to corporations or individuals in South Africa (other than firms owned exclusively by black South Africans) to facilitate their purchase of its South African subsidiary nor contribute or lend working capital to its South African subsidiary unless it is necessary to enable it to operate in an economically sound manner without expanding its operations.

In order to monitor compliance with the prohibitions against loans and new investments, we have worked closely with all U.S. companies operating in South Africa and have advised them in writing of the Act's requirements. The Act does not require or encourage disinvestment from South Africa. Nonetheless, state and local procurement and investment laws and the Act have that effect.

Of the approximately 250 U.S. companies with which we have corresponded, approximately one-half have already disinvested or are in the process of disinvesting. The divestment strategies of the vast majority of companies clearly have not violated the Act; however, we are now examining a few transactions which have involved deferred payment or other extensions of credit in South Africa.

Although we consider it too early to determine the full impact of the Act, it has been clear from our communication with these companies that the Act's restrictions have forced those U.S. companies still present in South Africa to operate under serious financial constraint. As a result, many have been forced to disinvest, often under sales terms extremely unfavorable to the U.S. seller. Moreover, U.S. companies do not appear to be interested in making any new investments in South Africa even where it is permitted; not one registration for a new venture has been filed with our Office pursuant to the Act's exception for investment in firms owned by black South Africans.

We are also taking steps to insure that brokerage houses, stock exchanges, and U.S. securities dealers are on written notice about the Act's restrictions on investment in South African securities. Generally, only trading in preenactment (pre-October 2, 1986) securities, including American Depository Receipts evidencing preenactment issues, is permitted. We have also advised banks of the Act's prohibitions on loans and other extensions of credit to the South African Government or its controlled entities (effective November 11, 1985 under sanctions which pre-dated the Act) or to any person or entity in South Africa. We are working with bank supervisory agencies to ensure compliance in this area.

Let me now turn to the provisions of H.R. 1580, as reported by the Committees on Foreign Affairs and Banking, Finance and Urban Affairs. The Treasury Department is strongly opposed to this Bill. Of particular concern to us are the provisions requiring, first, the embargoing of most trade transactions with South Africa; second, the forced divestiture of U.S. interests in South Africa; third, termination of any flexibility of U.S. banks in collecting on existing loans; and fourth, the extraterritorial extension of the import, export and investment prohibitions to foreign nationals outside the United States.

First, H.R. 1580 requires a virtual trade ban on South Africa. The loss of existing contracts to U.S. exporters and importers, and the immediate need to replace supply sources and export markets, might cause severe dislocations and bring higher prices in key U.S. economic sectors.

Treasury is concerned about the McCollum amendment adopted by the Committee on Banking and Finance. This amendment to the Bill's import sanctions would prohibit importation of third-country products containing components of South African origin.

Enforcement of this provision would be extremely cumbersome, requiring the Customs Service to determine whether South African content was included in virtually all imported items. Our trading partners, none of whom has adopted matching South African trade sanctions, will in all likelihood view the exclusion of their products under this provision as a nullification of benefits under the GATT, and retaliate against U.S. exports or seek compensation.

The exception to the H.R. 1580 import restriction for strategic minerals also raises difficult questions. In addition to existing certification requirements to authorize such imports, the Bill requires the President to certify that quantities of strategic minerals essential to the national economy and defense cannot be met in a timely manner by improved manufacturing processes, conservation, recycling, and economic substitution. On what basis is the President to determine whether essential economic and defense needs can be met on a timely basis without South African strategic minerals through improved manufacturing processes, conservation, recycling, and economic substitution? Is it intended that the President curtail the availability of strategic minerals from South Africa if U.S. business fails to adopt improved manufacturing processes, conservation, recycling, and economic substitution to end reliance on such minerals? What effect will such curtailment have on the industrial concentration in the United States when firms financially unable to adopt expensive but feasible new technology are forced out of the market?

South Africa does not have to rely on U.S. exports given the foreign availability of the majority of goods traded by U.S. exporters. Thus, we believe the major direct impact of this sanction would fall on U.S. exporters, importers, and consumers, and on black employment in South African export industries. An indirect impact arises from the bill's proposed coverage of exports and reexports to South Africa from third-country producers that manufacture under U.S.-granted technology licenses. This provision will make the United States less attractive as a export trading partner, and is likely to reduce U.S. exports of goods and technology to third countries.

Second, the Bill requires U.S. nationals, within a period of six months, to divest themselves of any "investment in South Africa." "Investment in South Africa" is defined to include equity interests, capital contributions, loans made before April 20, 1988, and an undefined concept called "control of a South African entity" where no equity, loan, or capital interest is involved. It is unclear, but "control" may even cover such things as contracts for management services or trademark licenses essential to the success of a business. We are dealing here with a definition of "investment" that bears no relationship to the normal use of that term in the business and financial communities.

The clear impact of the requirement for forced divestiture is the immediate and irreversible loss of value of assets held by U.S. investors and corporations. Treasury has in the past and will continue to oppose this proposal. Forced disinvestment runs counter to this Administration's policy that international capital markets and foreign investment remain free of controls. For U.S. investors holding South African securities, changing the rules established in the 1986 Act guarantees that the market value of their investments will plunge over the six-month grace period. Many American portfolio investors own pre-enactment shares in South African entities. These could involve investments of U.S. mutual funds. I cannot quantify the amount, but the value of these investments would also suffer as a result of the legislation.

On the corporate side, disinvestment will lead to a loss of job opportunities in South Africa, the possible demise of enlightened, non-discriminatory labor policies followed by U.S. companies as required by the Comprehensive Anti-Apartheid Act, and windfall gains for South African companies. American companies will be lucky to receive any reasonable offers for assets with a six-month deadline for divestiture. Why would South Africans or purchasers of any nationality pay fair value for assets when they know their would-be sellers must divest at any price within weeks to comply with U.S. law? Further, South African exchange controls will create additional losses as U.S. companies convert their proceeds into U.S. dollars at the lower "financial rand" exchange rate. Such intended injury to the U.S. parent companies arising from forced divestiture may constitute a compensable taking of property under the Fifth Amendment to the Constitution.

What will be the practical impact of this move for the South African economy beyond a reduction in job opportunities? Perhaps black workers will be able to finance the purchase of their U.S.-controlled employers. However, past experience indicates that the more likely scenario is that businesses will be acquired by white South African interests on terms very advantageous to those investors. Unfortunately, the Bill's call for negotiations with worker representatives cannot arm the workers with sufficient economic power to finance purchases of U.S. assets in South Africa. Nor does the Bill continue even the limited exception in the present Act which authorizes investment in firms owned by black South Africans, so that acquisition loans to workers' representatives would not be possible. H.R. 1580 is, therefore, likely to lead to further concentration of economic power in white hands, and at firesale prices.

The second aspect of the disinvestment provision in H.R. 1580 I wish to address is the proposal to end U.S. lenders' ability to reschedule loans made in South Africa prior to the 1986 Act. The present Act and its legislative history permits such rescheduling to avoid injury to U.S. lenders caught in the South African Government's 1985 debt moratorium measures, which limit the repatriation of hard currency loan proceeds, and which permit the South African Government to substitute itself for private sector borrowers on such loans.

The Bill would terminate this protection for U.S. lenders, and require that loans made under agreements reached prior to April 20, 1988, be repaid strictly in accordance with their existing terms. If not, the loans would be treated as prohibited investments in South Africa, and subject to the mandatory divestment provision. As noted, South African law permits the government to substitute itself as the borrower on existing hard currency loans. Such a substitution is treated as a rescheduling under the present Act, in accordance with its legislative history. This gives the South African Government the unilateral ability to trigger a divestiture requirement on outstanding U.S. loans. The loans would have to be either sold, probably at firesale prices, or otherwise divested.

Thus, U.S. banks, in effect, would be forced to provide debt relief to South Africa and subsidies to those who purchase the claims at the discounted price. They would lose all leverage in seeking repayment, without any corresponding damage to the South African borrower.

The losses to the banking community could be substantial and they would be concentrated in the nine money center banks. Although the level of exposure has been declining in recent years, it remains very substantial at $2.8B. Of that total, $2.2B is owed to the money center institutions or about 3.5% of their capital. As this Committee knows, there is strong regulatory and market pressure on these banks to increase capital. The proposed Bill would undercut that effort.

Finally, the extraterritorial application of the proposed disinvestment requirement will cause intense diplomatic friction, and potential third-country retaliation against the United States. This result would arise because the Bill enunciates a disinvestment policy for assets owned, not only by U.S. corporations, but by third-country entities that are owned or controlled by U.S. nationals. The breadth of this extraterritorial assertion of U.S. jurisdiction has previously been reserved for wartime conditions in sanctions programs adopted pursuant to the Trading with the Enemy Act. And even in wartime, the United States has not required its own nationals to divest themselves of foreign investments, but has focussed on the U.S. holdings of enemy countries.

To summarize Treasury's opposition to H.R. 1580, it would do more harm than good for U.S. interests whether viewed from an economic or foreign policy perspective. We believe the disinvestment requirement's main economic impact in South Africa will fall on employment opportunities for black South Africans, while fostering greater concentration of economic power in the hands of white South Africans. The major effects on U.S. financial institutions will be to reduce their bargaining power vis a vis South African borrowers on existing loans, and force banks to incur substantial losses on their claims. The likely impact on the U.S. economy generally is a degree of economic dislocation for investors and for corporations with holdings in, or with service contracts, licensing or management agreements, or long-term import or export contracts with, South Africa. I will be pleased to respond to the Committee's questions.

Chairman GIBBONS. It is the position of the administration that while this is a serious matter, there are economic costs associated with it, and economic costs outweigh the political advantage of a determined effort to outlaw apartheid?

Mr. NEWCOMB. I'm not sure that I understand your question.

I can say that there certainly are costs that go with this program. We have a current program in place right now that's been in place.

Chairman GIBBONS. Freedom is expensive. It always has been. That's nothing new. It was expensive when we started our altercations with the British 200 years ago.

I can close my eyes and picture someone having the same argument that you made here. Well, they are going to have some economic dislocation, lose contracts, and they are going to lose some trade. It's going to cost some money and, therefore, we shouldn't do it. That's really what your argument is.

Mr. NEWCOMB. Well, I certainly could distinguish this sanctions program from our other current sanctions programs. There is a degree of difference.

Chairman GIBBONS. I can close my eyes here, and I can just hear you talking 200 years ago. In those days, they'd be saying the same thing.

"Gentlemen, this isn't worth fighting to show we're against oppression. We're going to violate some international agreement if we tell somebody else they shouldn't cooperate with these folks. It may cost us a little money. It's certainly going to be inconvenient. But down with it all, we'll just sit here and pray that things will get better." It's the same argument you could have made 200 years ago.

Mr. NEWCOMB. I don't think that's what we're saying. I think it's more——

Chairman GIBBONS. Well, what's the difference?

Mr. NEWCOMB. I don't know that this sanctions program, as proposed in 1580, would have the intended effect on the target audience; namely the current South African Government.

Chairman GIBBONS. If we can't trade with them and we cut off trade with them, and we say that anybody else that trades with them can't trade with us, don't you think it would have some impact?

Mr. NEWCOMB. Well, it's more than just trade. It's forced disinvestment and some of the other aspects, I think, that make it a much larger issue than that.

Chairman GIBBONS. Weren't the British more or less forced to disinvest in this country 200 years ago when they struggled with us?

Mr. NEWCOMB. When it was in the context of hostilities and——

Chairman GIBBONS. It was us instead of them is what the difference is. Freedom to us is more important than freedom to them.

Mr. NEWCOMB. No, I just don't think in the name of social justice forcing U.S. companies to lose their investment would further the ends of parties we're seeking to help. I think it would aid unknown third parties that we do not seek to help.

Chairman GIBBONS. I'll bet that same argument rang around the halls in Philadelphia 200 years ago, the same argument.

Mr. NEWCOMB. I would certainly like to research that.

Chairman GIBBONS. It rang around this country 45 years ago, 50 years ago, when we were debating in this Congress whether or not we would take any action against Nazi Germany. The same argument.

I lived here during that time, I remember the arguments. It was inconvenient, it was inconvenient. Freedom costs too much. Let's just hope it'll go away, back away.

You're either for freedom or you're against it. You've either got to pay the price, whatever the price, or say we've got to forfeit it.

Mr. NEWCOMB. Mr. Chairman, I certainly can stand for freedom. But I think the impact of this——

Chairman GIBBONS. I don't believe it. If it's inconvenient or expensive, you're willing to back off and shake away from it. That's what it sounds like to me. That's what the administration did.

Sure, if it's inconvenient and expensive, it costs a little money, we might injure some friends' feelings. That same argument was made here in the 1930s and 1940s, all the way up to December 6, 1941.

Were you here then? Were you alive then? [Laughter.]

Mr. NEWCOMB. No, Mr. Chairman.

In all due respect, I don't see that the analogy is applicable here.

Chairman GIBBONS. Maybe that's the trouble. That's one of the advantages of my age. I can remember those arguments. Those arguments were being made in high school. We ought to cooperate with the Germans. They're not such bad people. They're very clean. Sure they've got some wild ideas. They just want to take over Austria, they just want to take over Czechoslovakia. They just want to take over Hungary.

It's inconvenient to us but it really doesn't affect us. As to the Japanese, who were moving through China and other countries don't worry about those countries' freedom.

The bill providing for the draft passed by one vote in October 1941 in the Congress. If the Japanese hadn't been silly enough to attack Pearl Harbor, we probably would never have gotten involved in that war. And maybe that would have been a blessing.

But we finally had to. Our hand was called.

It really depends on whether you're against this thing called apartheid or not. If you are against it, then you're willing to pay any price, any price. That's a lesson of history.

And this administration, no administration, can deny that.

Mr. NEWCOMB. Mr. Chairman, I don't think the issue here is the question of who's for or against apartheid. I think it's very clear that we're against—the administration is against apartheid. I think the issue is the means of achieving the goal.

And what my testimony, I think, today states is that it's very unlikely, at least from our perspective, that the intended effect will be achieved by the legislation that's proposed.

And as far as the analogy to——

Chairman GIBBONS. What would you do then?

Mr. NEWCOMB. We have a current bill, a current act in place. You'll see in the testimony that I've submitted for the record that approximately 250 companies were in South Africa 1½ years ago, and because of the previous bill and State and local disinvestment statutes, those companies are leaving very quickly.

We've been in contact with all of those companies in our enforcement efforts, and I can tell you that people aren't going. They're getting out, and really it boils down to who can get out and who has to stay because of the capital investment?

And what we have here are the companies coming forward and saying, well, we're financially committed. Now why you propose to do by this legislation is force us out and to take extreme losses in the process.

But the current act, as I say, has been in place for 1½ years and debates decide as to whether or not this has been enforced. I can tell you from our perspective we're very serious about the current act and we are enforcing it.

We know about the disinvestments, we know about the companies that are leaving, and there are a lot of them.

Chairman GIBBONS. But this act, as I said, goes further. It says if you continue to trade with South Africa, you don't have access to our market. Isn't that what it says?

Mr. NEWCOMB. I think that provision is if the President is forced to take mandatory retaliation for countries who take commercial advantage. That is currently in the bill now, and I believe the difference in the two bill is that, under the previous bill, it's discretionary, and the bill, at least as reported out of Foreign Affairs, would be mandatory.

Chairman GIBBONS. How many countries would take advantage of our closed door policy?

Mr. NEWCOMB. That I can't answer. It's not a provision of the act that the Treasury Department enforces.

I can certainly get it for you if——

Chairman GIBBONS. I've got the figures. I just wanted to see if you knew what they were.

Mr. NEWCOMB. Yes, I do.

Chairman GIBBONS. It's obvious that other countries have replaced our trading with South Africa.

Mr. NEWCOMB. Certainly others have moved in as we've left. I don't know the extent to which, I don't know the extent to which the involvement of other countries.

Chairman GIBBONS. They've moved in to the extent that our embargo hasn't hurt them, hasn't hurt South Africa.

Mr. NEWCOMB. I think though that's a reality of the marketplace.

Chairman GIBBONS. Why isn't the President taking action then?

Mr. NEWCOMB. I can't answer that, sir.

Chairman GIBBONS. The price of freedom is too high.

Mr. NEWCOMB. I am sure there are very good answers to that question. It's not something that I enforce——

Chairman GIBBONS. You're here to represent the administration.

Mr. NEWCOMB. It's a different department.

Chairman GIBBONS. Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman.

Mr. Newcomb, according to information we've received from the staff of the Banking Committee, there are thousands of small investors, as well as institutional investors, such as retirement funds, who hold American depository receipts, based on shares in foreign companies doing business in South Africa. I have a two-part question.

Have you done any research as to who owns these assets and what are the amounts in question?

Mr. **Newcomb**. No, Mr. Crane, I don't have a figure on that.

Mr. **Crane**. You don't have a ballpark figure?

Mr. **Newcomb**. No, I don't. Let me say we're in the process of being in contact with the brokerage companies as part of our ongoing enforcement efforts of the 1986 act. And I think as the current act proceeds, I think we'll have a better handle on that.

What I can tell you is, what we do know is that the pre-1986 share ownership is significant. I heard some of the testimony of the Banking Committee also, and from what I heard there, it's in the billions, and I think those losses would be significant if this provision of the gold were enacted.

I certainly will make an effort to get that for you because I think it's very germane to this discussion.

Mr. **Crane**. Thank you.

I think you answered this in your testimony but I think it needs further amplification.

In your view, would it be a violation of the due process clause of our Constitution to force Americans who own these ADR's to sell them at any price within a 6-month timeframe?

Mr. **Newcomb**. Of course, that's a constitutional question that would require a lot of research.

I have addressed that in my testimony. It's my own personal view that a very good legal argument could be made that it would. And my prediction would be that within a very short time, we'd be forced to litigating that issue.

My own personal view is that it very well may be the case.

Mr. **Crane**. H.R. 1580 includes a requirement that the President sanction, either through debarment or import restrictions, any foreign person who takes significant commercial advantage of any sanction imposed under the act.

This is a troubling provision to me, and it has some implications that I don't think have been amplified.

For example, if a Japanese bank participates in the financing of the purchase of an American asset in South Africa, would you expect the bank to be barred from purchasing U.S. T-bills?

Mr. **Newcomb**. I think that's hard to say. I would hate to render an opinion just off the top of my head because, indeed, we may be forced to answer that in a real life scenario.

But I think certainly some people would expect that that kind of enforcement action be taken. So, you know, I take the question and I think it's certainly a possibility.

Mr. **Crane**. And how would you define significant commercial advantage?

Mr. **Newcomb**. Unfortunately, that was never taken off in the previous act. And that, I gather, is some of the difficulty in the current enforcement effort is that term is so broad that I frankly couldn't proffer a judgment right now off the top of my head.

Moreover, it's not our enforcement responsibility. So it may be something that is lacking in H.R. 1580 that should be included. So that if we, the administration, are being mandated to take retaliatory action when a country does that, then a better handle on what that is would be very useful.

Mr. **Crane**. Thank you, Mr. Newcomb.

Mr. **Newcomb**. Thank you.

Chairman **Gibbons**. Thank you.

All right. We've got a panel now of Mr. Keyes, Mr. Jones, Mr. Rivers, Mr. Wilson, and Mr. Gann.

Mr. Keyes, go right ahead.

STATEMENT OF ALAN L. KEYES, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE

Mr. **Keyes**. Thank you, Mr. Chairman.

Mr. Chairman, I know that the committee has heard from a number of experts addressing some of the specific and technical aspects of H.R. 1580. I will not be doing that in my brief testimony.

Since I have noted as the discussion of this issue has moved forward—I was going to say progressed—but moved forward in the last year, that logic and facts and evidence and circumstances have become more and more irrelevant to passionate posturing and general declamations.

It has reached such a degree, that some people like the well known syndicated columnist Smith Helmstone have reached the conclusion, and I quote, because of course I would not express the sentiment this way, but I quote: It is more likely that a cat will bark than that the U.S. Congress will show courage or even commonsense in an election year, unquote.

Now, of course, if I and others on the panel here shared this poor opinion of Congress' election year character, I would not be here today.

Both courage and commonsense demand that Congress eschew a policy of immoral posturing that curries domestic political favors while destroying prospects for true democracy in South Africa.

Overwhelmingly, the evidence suggests that the limited sanctions that Congress imposed on South Africa in 1986 have had the hurtful consequences critics like myself have predicted.

Progressive forces in the white community have suffered a partial eclipse. Hardline proapartheid forces have become politically more intimidating. The impulse for reform within the South African Government has been virtually paralyzed. Diplomatically, the U.S. Government's bilateral influence with the South African Government is at a very low ebb.

Over 100 U.S. companies have wholly or partially withdrawn from South Africa, consolidating control of the economy in the hands of indigenous whites. Thousands of blacks have lost their jobs.

Programs funded by U.S. companies that helped to strengthen the economic base of the black community have been abandoned.

H.R. 1580 would intensify the tragically mistaken course that Congress embarked upon in 1986. It would replace the current regime of limited sanctions with a policy of virtual economic warfare against South Africa. The most serious study of the likely effects of such warfare clearly indicates that it would not produce the desired results. White South Africans would not be brought to their knees. Apartheid would not crumble under the hammer blows of U.S. economic might. If a two-bit drug master like General Noriega, with an economy entirely susceptible to U.S. pressure can successful resist our economic might, what will South Africa, with a much more independent and flexible economic base, be able to do? Economic warfare will not work. The supporters of H.R. 1580 know that it will not work. What do they hope to achieve by it?

Now, I believe that some of them subscribe to Jesse Jackson's war policy toward South Africa. Economic warfare is for them a prelude and an element of military struggle. Knowing that a formal declaration of war by the United States is unlikely, Jackson is attempting to achieve the same result by the backdoor by making South Africa part of America's ongoing war against terrorism. He has demanded that South Africa be declared a terrorist state. He has advocated U.S. military assistance to South Africa's neighbors, and to the militantly violent African National Congress. Once H.R. 1580 has virtually eliminated all other avenues of American influence, all other tools of American policy, the supporters of Jackson's war policies hope that the United States will have no alternative but to pursue the military option he advocates.

Not all supporters of H.R. 1580 subscribe to Jackson's intemperate approach. Not all of them wish to see South Africa plunged into a prolonged, bloody and destructive military conflict. Not all of them believe that the best remedy to injustice is to help destroy the future South Africa's majority has helped to make possible and should inherit. Whatever their intentions, however, their support for economic violence can only make physical violence more inevitable. A vote for comprehensive sanctions is a vote for war. Facts, logic and the Jesse Jackson agenda make that crystal clear.

Now, I think Mr. Helmstone exaggerates when he assumes that no one in Congress has the good sense, and especially the courage, to resist this tragically immoral approach. He does not however underestimate the difficulty of doing this is an election year. In critical urban areas throughout the country, as well as political contests in the South, black votes could make a critical difference. A popular, highly visible, and politically organized black leader calls for war against South Africa. Those who resist will be defamed as racists, and risk alienating black voters whose support or indifference could decide a close contest. To politicians faced with such circumstances, it may not matter that war will destroy the prospects for democracy. It may not matter that war will increase the opportunities for Soviet domination of southern Africa. It may not matter that a better alternative exists, if only the Congress, the President and the people of this country have the moral vision, commitment and strength to pursue it.

In the past 3 days the black people of South Africa have once again demonstrated the potential power they have in their country. As I and others have consistently argued, that power is derived especially from the position blacks have inevitably developed in South Africa's modern economy. The economic warfare called for in H.R. 1580 would help to destroy that power base. It would preclude effective U.S. assistance to blacks and others in South Africa working to extend and strengthen it further. It would make impossible any U.S. efforts to help reinforce and build the emerging infrastructure of democracy in the black community in South Africa. It would in a word deprive the United States of any policy toward South Africa except the dismal choice between supporting the Jackson war policy or sitting helplessly on the sidelines as the allout war we helped to bring about consumes both our interests and the hopes for democratic freedom of South Africa's people.

However difficult it may be, responsible members of Congress owe it to themselves and to the American people to resist the Jackson-Dellums war policy toward South Africa.

They owe it to the people of South Africa.

Many Americans, including many American blacks, express support for the sanctions approach because they do not understand its consequences. They have never been able to hear a full and effective debate on the merits of the issue. During the past year leading proponents of the economic warfare approach have refused to meet me in debate. They have rigged public discussions so that my voice would not be heard. Knowing that they have no factual, logical case for their position, they have sought to avoid honest debate before the American people. I repeat now the challenge I have often voiced in the past, to Jesse Jackson, Randall Robinson, Congressman Dellums, Wolpe and other advocates of the war policy toward South Africa: Come into the arena. Let us stand before the American people in open debate on the merits of war versus empowerment for the future of South Africa. And I challenge the media in this country to provide a forum for such a debate. I believe that Congress and the American people have the right to hear and see it, before they make a judgment that could herald the long, final act of the South African tragedy.

Thank you, Mr. Chairman.

Chairman **Gibbons**. I am listening. What is your proposal? You have got your audience?

Mr. **Keyes**. I would invite your attention to the record of this Congress, in testimony before the Senate and before the House.

I did not bother to repeat myself today, because for the last 2½ years I have been repeating myself.

And the details of empowerment are clear on the record of Congress, and on the public record where I could get a chance to state them. You know, and I know, and other Members of this Congress know, and other people in this country know, what the alternative is.

But I also know that every time the dissent never appears in the press. I have been excluded from the public media attempting to talk about it. And I have not been able to arouse even the slightest little bit of interest, in this Congress or elsewhere, in putting some muscle behind the empowerment approach.

So do not tell me it is not there, because I have worked very hard to put it there. I know it is on the table.

Chairman **Gibbons**. Well, put it there right now, or shut up.

Mr. **Keyes**. Mr. Chairman, if you were to look at the record of the hearings that Congressman Wolpe held, there is a long discourse, a disquisition if you like, on the empowerment approach, which I prepared, an approach which talks about the kind of strengthening that needs to be done to the black power base in

South Africa, that bases itself on U.S. support for strengthening and extension of union power, on strengthening and extension of the economic power of blacks, not for its own sake, but for the sake of developing the democratic infrastructure through which they have and will continue to pursue the agenda of justice that they demand.

So it seems to me that it is quite clear across the boards, for the unions, for the government, for the Congress, for the churches, for the schools, for the professional organizations, every person in this country, if they really wanted to do something about South Africa, could have a part in that task, could be lending their assistance, their money, their financial support, to the prodemocratic organizations in South Africa that want to build real democracy in that country.

Instead, what do we hear? All we hear is talk of war and violence and destruction, the same war and violence and destruction that has been unleashed in Iran and Ethiopia and in other parts of the world with no consequences but hell for the people who have to suffer it.

When you start that war, Mr. Congressman, Mr. Chairman, you won't be able to stop it, and neither will I. And the people of South Africa will go down the same road as the people of Lebanon, and the people of Northern Ireland, and the people of Iran and the people of Iraq and the people of Ethiopia and Uganda and all the other people of this world who are suffering from conflicts that no living human being knows how to end.

So before you start down that road, I would think that you and others would want to consider who will finish it. Because the thousands of people in South Africa who will die will finish it, and the destruction of their future will finish it.

And there is another alternative that we could pursue with the power of our corporations, not abandoning those people, but using that power to improve their lives, to increase their wealth, to increase their organizational strength.

They have demonstrated, even in the last 3 days, that what I say is not an abstraction. And if we want to contribute to the successful establishment in South Africa of the extended power that they themselves are demonstrating, even as I speak, there would be no need for such bloodshed and destruction.

For dialog would follow the imperative interest of all the people in South Africa in achieving the kind of economic cooperation that they cannot hope to achieve unless they reckon with the power of black South Africans organized as we could help them to organize it.

So don't tell me there is not an alternative. I know what it is. I am passionately committed to it, because I know it is the only alternative to the total destruction of the future of that country.

And neither you nor anyone else in that Congress will be willing to undo that damage once it is done, and all the rest of Africa stands to attest that fact now.

So if we destroy those prospects, if we destroy that future, with the kind of steps that are proposed in this legislation, no one in this Congress will be willing to rebuild it either.

Chairman GIBBONS. What would you do?

Mr. KEYES. Mr. Congressman, it seems to me, and I've watched and I have put up with the kind of posturing that occurs in the course of this kind of a session, OK? When I have used and articulated the agenda of black empowerment, it is not my agenda; it is the agenda of black South Africans.

They have put together the union organizations. They have put together the trade associations. They have put together the civic and cultural organizations that are now part of the struggle for justice in South Africa.

And when I say that we should be using the economic wherewithal of our corporations to support those organizations, we should be using the human resources of this country to support those organizations, we should be using our diplomatic expertise to make room for the power that they represent, every time I say that, every time I outline that detailed agenda in terms of the kinds of things we could be doing, with our dollars, with our human resources, with our economic capital, then someone sits back and says, well, what are you proposing to do?

I am proposing that we put our efforts where our supposed moral righteousness and gestures are. I am proposing that we contribute in terms of dollars, in terms of the support of our unions and organizations, in terms of our churches, our trade associations, our professions, our people, who have the expertise to help South Africans to organize and move for redress of their grievances.

I am proposing that they go down that road, a road which they are marking out for us. Because on the day when black South Africans are ably fully and effectively to organize and mobilize the economic power which their labor and participation represent in the South African economy, on that day there will be dialog; on that day there will be resolution; on that day there will be a beginning of true democracy.

And I think a lot of people in this room know that. I think they can read the papers and see that.

A year ago, 2 years ago, when people looked at me and said, well, this is just academics you are talking, I could take it. But it seems to me that every event since that time has both verified the analysis I have presented, and also, put it to the power base that I was among the first to see, long before others even acknowledged the power of the unions in South Africa, I was speaking about that power.

And there have been few outside the enlightened folks in the upper echelons of the labor movement in this country who have done anything about trying to build and develop that power base.

But that is not the only one, of course. You have the South African black taxi association. They sat right at this table with me in a hearing talking about what they have done on their own behalf, and about the fact that nobody in this country was paying enough attention to support them, provide them with funds and resources and support.

They talked about others there, who are emerging in the commercial sector, want this kind of help in organizing on their own behalf.

They even talked about the extent to which that mobilization had permitted them to go to the South African Government and prevent the South African Government from taking steps that would have destroyed their livelihood.

Now, that is the translation of economic into political power through effective organization that we could support.

And we have seen other evidence of it in the National Union of Mineworkers strike, the mobilization of the last several days, and the whole story and saga of the labor movement.

And it seems to me that if you add to that the kinds of things that I have spoken about in terms of expanded capital ownership to develop the wealth base of the black community so that they will be able to become active participants in the nation-international capitalist sector in South Africa, and in which South Africa participates, you have the wherewithal for an effective contribution, not to destroying something, because I think we have talked enough about that, but to building democracy.

And it takes a lot more, Mr. Chairman, to build freedom than just to talk about it and to posture about it. Freedom is effective human mobilization, effective human organization of people on their own behalf.

And if you don't support that effective mobilization, then all your talk of freedom and democracy is just an act, and you are ready to deliver the black people of South Africa over to the same fate that others who spoke of freedom, and then found themselves fastened with tyranny, have faced.

And I for one don't care whether the tyranny is black or white. I don't think it is going to be a fair trade to turn over a white tyranny for a black tyranny, OK?

And I think that if we want to avoid that consequence, then we are going to have to think in a positive way about how we build up the structures and infrastructure of democracy, and stop being obsessed, I would say, with the evil that we are trying to fight to such an extent that it dominates even the means we choose to employ.

Chairman GIBBONS. We need to hear the rest of the witnesses. We will come back to you.

Mr. Jones.

STATEMENT OF ROBERT A.W. JONES, PROJECT DIRECTOR, THE AMERICAN COMMITTEE ON AFRICA

Mr. JONES. Thank you, Mr. Chairman. I would like to thank you for the oppportunity to testify. And I would also somewhat like to apologize, because I think some of the anger that is coming from the other side of the table is directed at myself and my organization. We have been and are strong supporters of sanctions. I am from the American Committee on Africa, founded in 1953.

We were founded to support the struggle for freedom and justice in South Africa, and feel that the provisions in the current bill are not about to unleash economic violence and warfare, but are rather an alternative to the warfare that is going to be waged inside South Africa if there is not pressure put on whites to negotiate.

As we sit here today it is clear that workers in South Africa certainly are able to organize themselves, and certainly are willing to engage in struggle to fight against apartheid.

The problem is that owners and the Government are not willing to negotiate. As a matter of fact, there is a bill that is being considered before the South African parliament just now that has triggered these protests, where 2 million people have stayed away from work.

That bill would severely limit the abilities of trade unions to go out on strike and demonstrate against apartheid. In fact, just in February of this year, all of the major antiapartheid organizations were banned. They were outlawed and they are now prohibited from "carrying on or performing any activities or acts whatsoever."

How then do we talk about mobilizing and working for justice when those people who are organized to do this have been outlawed?

Despite the Government's actions, however, COSATU's largest affiliate, the National Union of Mineworkers, last year passed a resolution which calls for strong sanctions.

And I think that this is important, that labor has been doing this. One of the reasons it is important is that we are always talking about job loss in the face of sanctions.

Clearly, no one in this room, I would hope, would say that there is not going to be job loss when sanctions are imposed. We also would not say that there won't be some cost to the United States.

The problem, and the way to look at it, is what are the benefits? What is the tradeoff?

One of the things that is left out of this debate, time and time again, about black people being hurt, is the concept of black people being hurt by apartheid now, as it exists, black people having been hurt for the past 300 years by white minority rule.

This is left out of the equation. People talk about, "they're going to lose jobs." This is true. The rate of unemployment, however, in South Africa, is already very high.

In some areas, in the rural and parts of urban areas, unemployment is up over 50 percent. So we have to keep this in mind when we talk about increased job loss.

It is also important to understand that sanctions have had an effect, and while there are negative things that can and have been said, what sanctions are designed to do is to put pressure on the white minority government; to put pressure on the business sector; to negotiate a transfer of power.

Shortly after U.S. banks cut South Africa off from new trade, a delegation of South African business leaders arranged a highly publicized meeting with leaders of the ANC. Pressure.

In addition to this, the American Chamber of Commerce in South Africa issued a strong warning to the Government which said, "instead of looking outside the country for the reasons for sanctions, and blaming the world for the problems of South Africa, we must proceed on a course of real reform."

Indeed, South Africa's own minister of finance, Barend du Plessis, has said, the South African economic is "hamstrung" by sanctions.

And he had to concede that, "they serve a purpose insofar as they force us into putting everything into using our own resources."

And this is important. Foreign investment has propped up apartheid for quite a long time. And while the 1986 act took a step toward ending U.S. involvement in this propping up of apartheid, there is still a tremendous amount which needs to be done.

U.S. oil companies are involved in South Africa and control over 40 percent of the market. Computer companies are involved in South Africa, and have some 50 percent of the market.

And it is also imperative for us to understand that the South Africans do watch what is going on in Congress, and they do have a respect for the economic might and power which we can bring to bear.

Just recently, the Financial Mail, which is a weekly finance magazine in South Africa, reported that South Africans are scrambling to stockpile high technology and other things which may be harder to find if a total embargo is enacted by the U.S. Congress.

Since the antiapartheid Act of 1986, imports from South Africa have markedly declined. However, exports to South Africa have not significantly decreased. And this is an area where we are dealing with largely capital goods.

And it is important to know that trade is very, very important for the apartheid system. Foreign trade accounts for anywhere between 40 and 60 percent of the gross domestic product, according to some estimates.

We believe, Mr. Chairman, that the provisions of H.R. 1580 would send a very strong signal to South Africa, a signal that the American people are standing with the black majority in opposing apartheid South Africa.

To date in the United States, the people here understand the importance of applying economic pressure: 23 States, more than 70 cities, have adopted some kind of divestment, some kind of economic pressure against apartheid.

They are combined with hundreds of colleges and universities that have taken effective economic action against apartheid.

It is also important to know that when we talk about the costs and benefits, many U.S. corporations, for most U.S. corporations, the South African subsidiaries represent less than 1 percent of their worldwide assets and sales, so that we are not talking about a tremendous impact on these corporations.

However, as for the effect of disinvestment, the effect that this can have on South Africa, is tremendous.

Not only would H.R. 1580 require companies to withdraw from South Africa, but it would require U.S. nationals to sell their holdings in stocks in South African companies.

Most South African stock owned by foreign nationals is in gold mines. Historically, it has been foreign capital which has made the development of South Africa's gold mines possible.

And gold has been at the heart of the apartheid system. It provides almost half of South Africa's foreign exchange.

When we talk about gold mines, it is important to talk about migrant labor. When we hear of the conditions in South Africa, we understand the destruction of the black family by this system of migratory labor, where men are forced to live in single sex barracks.

South Africa's gold industry, however, faces a significant challenge. Gold production has declined by 40 percent between 1970 and 1987. Many of the mines in South Africa are becoming exhausted, and the mining companies are going to have to go looking for capital to refinance and continue these mines functioning.

In order to raise this capital, they will have to sell stock. And if we close the U.S. market to this stock, we can have a significant impact on the South African economy, and can end a terrible relationship we have, which is one of directly propping up the migratory labor system.

I would like to close by saying that these hearings come at an important time in South African history. This coming Saturday marks 2 years of detention without trial under law in South Africa.

It marks the second anniversary of the state of emergency that the Government imposed on June 12th, 1986.

We strongly suspect that the white minority government will renew the state of emergency tomorrow, sending a signal once again to the world of its defiance of the wishes of the black majority.

The U.S. Congress and the American people need to send our signal to South Africa, a signal to the South African government that says the United States will no longer do business with apartheid; but more importantly, a signal to the South African people that says, we hear you. We hear your cries for stronger international economic pressure, and we are responding.

Mr. Chairman, I want to thank the committee for allowing us to testify today, and I would like to end with a quote, a quote from the Reverend Alan Boesak, a prominent churchman from Capetown.

Last December we spoke with the Reverend Boesak, and he described to us in detail the detentions that had been taking place under the State of emergency regulations.

We asked him what we could do. Mr. Chairman, he turned to us and he said: "We are pinning our hopes on the Dellums-Cranston sanctions bill."

Thank you.

[The statement of Mr. Jones follows:]

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Testimony of

Robert Jones
Project Director
American Committee on Africa

Committee on Ways and Means

House of Representatives

June 9, 1988

Mr. Chairman, I want to thank the Committee for the opportunity to testify today in favor of HR 1580, which would impose extensive sanctions against South Africa. In 1986 the passage of the comprehensive anti-apartheid act put an end to the era of "constructive engagement" and made sanctions the official U.S. policy toward South Africa. Today, two years later, we are faced with the task of making our sanctions policy effective.

The provisions contained in HR 1580 are the next logical step in the process of putting economic pressure on the South African government to abandon apartheid and support the Black majority's demand for a democratic society based on one person, one vote in a non-racial and unified country.

The American Committee on Africa was founded in 1953 to support freedom and independence in Africa. Much of our work over the years has focused on South Africa. Twenty-five years ago the American Committee on Africa helped coordinate a public statement by two Nobel peace laureates, the Rev. Martin Luther King Jr. and Albert Luthuli, then president of the African National Congress, which called on the people of the world not to trade or invest in South Africa. Clearly, these two men were far ahead of the rest of the world and knew then that the economic isolation of the racist government was the one policy that could force the South African government to listen to the demands of the Black majority.

As we sit here today, these demands have been made clear again as the workers in South Africa have staged one of the largest and most successful stayaways ever held, to protest new repressive measures by the apartheid government. More then two million workers took part in three days of action this Monday, Tuesday and Wednesday despite government intimidation and threats by the employers to fire those who failed to show up for work.

What they were protesting is the system of apartheid--a system of racial exploitation that is unique to South Africa. Under apartheid whites, who are less then 14% of the population, totally dominate the whole society. Africans cannot vote for parliament. Racial segregation is mandated by law. Blacks must either live in segregated townships or in the tiny reservations called bantustans which occupy less than 13 percent of South Africa's land area. Even hospitals are segregated. White hospitals have many empty beds while hundreds of Blacks must sleep on the floor due to overcrowding in Black hospitals.

The government has adopted increasingly repressive tactics to maintain this system. These tactics have included the declaration of a virtual state of siege, or emergency, which has now been in effect for almost two years.

Between June 1986 and today, some 31,000 people have been detained by the South African government. Many of these people were jailed for months without even being charged with a specific offense. Currently it is estimated that some 3,000 people are in detention, about 300 of whom are children of 18 years old or younger. In the first three and a half months of this year, more then 500 people per month, or more then 16 per day, have been detained. Some 300 have been in detention for more then 21 months.

Thousands of people have been detained, tortured and even killed for the simple crime of opposing apartheid. And the people take enormous risks as they oppose apartheid in every aspect of their lives. One form of such struggle is the rent boycott. Almost all Black housing in the segregated townships is owned by the South African government. Many thousands of township residents have stopped paying rent. This has been an extremely effective protest, costing the South African government millions of dollars. But those participating in the boycott face eviction. It is a credit to the brave people of South Africa that despite the massive repression, including the use of the military in the townships to supplement police, that these protests have continued.

This February the South African government took its repression one step further, imposing sweeping bans on 17 organizations, including the two-million member United Democratic Front, that have been leading the struggle against apartheid. These 17 organizations were prohibited "from carrying on or performing any activities or acts whatsoever." The government simultaneously imposed a series of restrictions on South Africa's largest labor federation, the Congress of South African Trade Unions (COSATU).

Significantly, many of these restrictions are aimed at preventing us from hearing the voices of Black South Africans. The restrictions placed on the trade union federation COSATU last February, for instance, prohibit it from advocating sanctions. The South African government, in fact, has consistently used its full range of repressive legislation and emergency regulations in an attempt to stop Black South Africans from calling for strong sanctions and to jail many of those who make such statements. Despite these government actions, last year, COSATU's largest affiliate, the National Union of Mineworkers passed a resolution reaffirming "its support for all forms of international pressures, including sanctions and disinvestment." And a major survey of Black South Africans at the end of last year indicated that two thirds supported sanctions.

The government has always understood that sanctions are a threat to the very survival of apartheid. In 1972, former Prime Minster John Vorster said "Each trade agreement, each bank loan, each new investment is another brick in the wall of our continued existence." And they have tried to use international agreements such as GATT as a defense against sanctions. In an interview in April 1985, the foreign trade secretary of the Associated Chamber of Commerce stated: "It must be stressed that South Africa's GATT membership is critically important. Without it, trade sanctions against us would be a relatively simple procedure." And in a further effort to blunt the impact of international sanctions, the government has spent billions of dollars subsidizing strategic industries, including agriculture and steel and the construction of massive facilities to convert coal to oil.

In this context the Anti-Apartheid Act of 1986 was an important milestone in the struggle for freedom in South Africa. In 1986 Congress said to Black South Africa, we hear you and we are responding. The Anti-Apartheid Act of 1986 prohibited new U.S. investment in South Africa and most new bank loans. In addition it prohibited the import of steel, uranium, textiles, agricultural goods and the Krugerrand gold coin and prohibited sales to the police and military and "apartheid enforcing" agencies.

Last year the Committee on Ways and Means passed the Rangel Amendment to the Budget Reconciliation Act denying foreign tax credits to U.S. corporations doing business in South Africa. This was an important extension to the Anti-Apartheid Act and has increased the effective tax rate for U.S. corporations South African operations and significantly decreased the profits these companies are making from apartheid. As Congressman Rangel said at that time, "Congress is making it the foreign policy of the United States not to subsidize apartheid." Jennifer Davis, the Executive Director of the American Committee on Africa, testified before this Committee in favor of the Rangel Amendment and we have since informed parliamentarians in other countries of this measure. Several have expressed interest in seeking adoption of similar measurers in their own countries.

The U.S. measures, combined with the range of other international actions to isolate apartheid that are already in place, are beginning to have an impact. The international oil embargo against South Africa, while not cutting off petroleum shipments, has forced the government to pay a premium of up to $2 billion a year to evade the ban.

And South African business leaders, who have benefited from and traditionally been supportive of apartheid, are beginning to raise questions as a result of the threat of sanctions. Shortly after U.S. banks cut South Africa off from new credit a delegation of South African business leaders arranged a highly publicized meeting with the leaders of the African National Congress. More recently, the American Chamber of Commerce in South Africa following a visit to the U.S. issued a strong warning to the government: "Instead of looking outside the country for the reasons for sanctions and blaming the world for the problems of South Africa we must proceed on a course of real reform."

The chairman of the giant De Beers corporation, Ogilvie Thompson, pointed to these effects when he wrote in the corporations Annual Report this year that "More than ever it is urgently necessary to negotiate and implement a constitution which can provide equal opportunity and political participation for all, protected by a bill of rights."

Perhaps the most revealing statement on the effect of sanctions came from South Africa's own Minister of Finance, Barend du Plessis. The South African economy is "hamstrung" by sanctions said the Minister in his annual budget speech to parliament this past March. He then tried to argue that sanctions were counterproductive, but had to concede "they serve a purpose insofar as they force us to put everything into using our own resources."

What these statements indicate quite clearly is that the limited sanctions already imposed are beginning to have an impact. However, these measures do not go anywhere near far enough. U.S. corporations still play a key role in supporting the apartheid economy and in directly aiding the government. At a time when the government has banned virtually the entire non-violent opposition, U.S. corporations are continuing to profit from apartheid. U.S. direct investment in South Africa is currently still about $1.3 billion.

The U.S. oil companies Mobil and Caltex (jointly owned by Chevron and Texaco) are the largest U.S. investors in South Africa and control 40% of the petroleum market. Oil refined by these U.S. companies is used by the police and military. Because the oil is not exported or reexported from the United States, U.S. oil companies have been able to avoid the provisions of current U.S. law prohibiting sales to the police and military.

U.S. computer companies, including Control Data, IBM and Unisys, have some 50% of the market. While U.S. law prohibits sales of computers to the police and military, there are no such restrictions on sales to the private sector, even when the South African companies are known contractors with the South African military. If members have any doubt about the importance of high technology items, I would refer you to a article earlier this month in South Africa's weekly Financial Mail. That article reported that South Africans are scrambling to buy up and stockpile high technology, motors and transportation equipment, because these items "may be harder to find elsewhere in the world if a total embargo is enacted by the U.S. government later this year." The largest of these orders, the magazine noted, was for digital computer units.

U.S. imports from South Africa have markedly declined since the passage of the Anti-Apartheid Act of 1986, although in a testament to the need for further action, there have been some exceptions. For example, U.S. imports of wood pulp from South Africa have increased since these sanctions were imposed. The U.S. subsidiary of Courtaulds PLC, a British company, has been importing eucalyptus pulp from South Africa, which it uses to make Rayon. Courtaulds's eucalyptus pulp comes from a company it jointly owns with the South African government. Because wages in South Africa are so much lower than in the U.S., Courtaulds has been able to price its rayon significantly below its U.S. competitors who get their woodpulp from the Pacific Northwest.

U.S. exports to South Africa, however, have not decreased since passage of the 1986 Act. U.S. exports to South Africa are largely capital goods including non-electrical machinery, electrical machinery, transportation equipment and chemicals.

This trade is critically important for the apartheid system. South Africa is extremely dependent on its ties to the world economy, with foreign trade accounting for close to 60 percent of GDP according to some estimates. Yet U.S. trade with South Africa as a percentage of total U.S. worldwide trade is less than one percent. This is clearly an area where strong action can be taken against South Africa without significantly affecting the U.S.

Mr. Chairman, the American Committee on Africa believes that HR 1580, as passed out of the House Foreign Affairs Committee, would impose an important series of sanctions against apartheid. This legislation would send a strong signal to South Africa, a signal that the American people are standing with the Black majority of South Africa in opposing apartheid. HR 1580 would mandate the withdrawal of U.S. companies, end most trade and mandate those owning stock in South African corporations to sell their holdings. The Foreign Affairs Committee looked extensively at the arguments for sanctions. But I would like to go over a few points of relevance to this committee.

One of the important aspects of HR 1580 is that it would require all U.S. companies to disinvest from South Africa. For many years now, the anti-apartheid movement has been pressuring companies to withdraw from South Africa. Individuals, churches, states, municipalities and others have pressured the companies though methods ranging from shareholder resolutions to divestment--the selling of shares of companies that do business in South Africa.

To date, 23 states and more then 70 cities have taken some kind of economic action against companies that continue to do business in South Africa. As a result of these campaigns, more then 160 U.S. companies have ended direct investment in South Africa, although some continue to do business through license, franchise or management agreements. These state and local actions, combined with the actions of hundreds of colleges and universities, churches, trade unions and other civic organizations indicate a strong sentiment in this country in favor of effective economic action against apartheid. This is a sentiment that members of Congress should now reflect at a national level.

It should be noted in this regard that for most U.S. corporations their South African subsidiaries represent less then 1% of their worldwide assets and sales. The effect of forced withdrawal on these companies would be negligible. But the effect on South Africa would be dramatic, denying key technology to the apartheid government and helping to provide pressure for real change.

Similar campaigns for the international isolation of apartheid exist in other countries. More then 60 United Kingdom based companies have withdrawn from South Africa. Companies such as Renault from France, Alfa Romeo from Italy and SHV Holdings of The Netherlands have withdrawn from South Africa. Similarly, 10 of the 55 Japanese sales agencies have closed their offices in South Africa since the start of 1986. Much of this activity has resulted from the U.S. example.

But much more remains to be done. The Anti-Apartheid Act of 1986 authorizes the President to limit the importation into the United States of any product or service of a foreign country that takes advantage of any sanctions in the act. This provision, also contained in HR 1580, has already had a significant effect. A member of our staff met with Hitachi, which sells IBM compatible mainframe computers in South Africa. Hitachi informed us that they do not sell to agencies in South Africa to which sales would be illegal by a U.S. company and they will not increase their sales in South Africa. Clearly the U.S. can strongly influence our allies to take similar measures and thus significantly increase the effectiveness of sanctions.

HB 1580 would not only require companies to withdraw from South Africa but would require U.S. nationals to sell their holdings in stocks in South African companies. Most South African stock owned by foreign nationals is in gold mines. Historically, it has been foreign capital that has made the development of the gold mines possible. Although there are no precise figures available, a large percent of the stock of gold mines or mining houses such as Anglo American Corporation Ltd. are owned by nationals in the United States and the United Kingdom.

Gold has long been at the heart of the apartheid system. It provides half of South Africa's foreign exchange. To ensure a constant flow of cheap labor for the gold mines, South Africa developed a tightly controlled and regimented labor system. Black workers on the mines are forced to be migrant laborers. By law in South Africa, Black workers on the mines may not live with their families in the communities in which they work. Rather, miners live in single sex barracks away from their wives and children, who are forced to live on the 13% of the land allocated for African occupation. How cruel a system that won't let a man watch his own children grow on a day to day basis. The destructive nature of this system of migrant labor on family life is extremely clear. The National Union of Mineworkers has challenged this system, but the mining companies have resisted changes.

But South Africa's gold industry faces significant challenges. South African gold production declined by 40% between and 1987. As recently as 1980, South Africa produced 70% of the non-communist world gold. Today, that figure has dropped to about 50%. Many South African gold mines are becoming exhausted and the average grade of the ore mined has significantly declined. In order to even maintain its current level of production and world market share, South Africa will have to invest large sums of money in exploration and in new mines. Because gold mined in South Africa is deep underground the costs of mining are high. To raise the necessary capital, South African companies will need to issue and sell stock. If the U.S. market is no longer open to the trade of this stock, it will be much more difficult for the mining companies to raise the capitol they will need. This action will also end an important U.S.-S.A. link where those who own gold shares are helping to finance one of the most destructive elements of the apartheid system--migrant labor.

Mr. Chairman, there is not time here today to detail all of the important aspects of the legislation pending before this committee, but I think it is important that the committee reflect on the key elements of this bill. Despite resistance of the Reagan administration, the U.S. has, thanks to Congress, been a leader in moving towards comprehensive sanctions against South Africa. The Anti-Apartheid Act of 1986 was an important step in this direction.

Sanctions, such as those in HR 1580, will not end apartheid over night. The primary struggle needs to be won by the South African people themselves. But we can help to support those struggling for change by the passage of this legislation.

These hearings come at an important point in South African history. This coming Saturday will mark an important anniversary for many South Africans. For more the hundreds of long term detainees it will mark two years of detention without trial and for the Black majority in South Africa it will mark the second anniversary of the State of Emergency the government imposed on June 11, 1986. We strongly suspect that the white minority government will renew the State of Emergency tomorrow, sending a signal once again to the world of its defiance of the wishes of the Black majority.

The U.S. Congress and the American people need to send its own signal to South Africa. A signal to the South African government that says the U.S. will no longer do business with apartheid. But most importantly a signal to the South African people that says, "we hear you, we hear your cries for stronger international pressure and we are responding."

Mr. Chairman, I want to thank this committee for allowing me to testify today and I would like to end with a quote. It is a quote from the Rev. Allan Boesak, a prominent churchman from Cape Town. Last December when we spoke with Rev. Boesak he described to us in detail the detentions without trial that were and are taking place in South Africa. And then we asked him what we could do. He said to us: "We are pinning our hopes on the Dellums/Cranston legislation."

Chairman GIBBONS. The next witness is Mr. Rivers.

STATEMENT OF RICHARD R. RIVERS, ESQ., WASHINGTON, DC

Mr. RIVERS. Mr. Chairman, I have a prepared statement I would like to submit for the record.

Chairman GIBBONS. All statements that are not read entirely will be submitted for the record, without objection.

Mr. RIVERS. In the context of the broader debate over the appropriate policy towards South Africa, my comments may seem somewhat pedantic, but I still think they are worth making.

My basic point is that there are severe defects in the legislation which is before the committee, contained in sections 302 and 402. They do not work in their present form. They are probably ineffective, and I think they may even be counterproductive.

I am not going to address the broader questions about South Africa policy. That is beyond my expertise. I do know about U.S. commercial policy, U.S. trade policy, and foreign economic policy. I know a little bit, I think, about economic warfare.

What is currently under consideration, particularly the trade policy provisions in sections 302 and 402, I am afraid, in their present form are not going to be effective and are not going to help accomplish the goals they set out to achieve.

I would like to state, at the outset in my remarks, that I understand the value and importance of bringing appropriate pressure to bear to effect change and democratic reform in South Africa.

But I think it is important, that what we do so carefully. These two provisions undermine basic precepts, longstanding in U.S. commercial policy. I think it is worth noting that, and it is important that in the current emotional debate we not lose sight of certain other values.

Section 302, which has been modified by the Banking Committee, is overbroad, and it is going to be impossible to administer by the Customs Service. It is going to be construed by Customs to cover items as diverse as automobiles from virtually any country, or any other type of tool steel, or specialty steel.

It will necessitate a country-of-origin test to make it administrable, and it is going to give rise to litigation that will extend into the next century.

The second provision, section 402, which would impose mandatory trade sanctions on foreign persons who take commercial advantage of H.R. 1580, or similar anti-apartheid sanctions, in effect proposes that the United States adopt a secondary or a tertiary boycott.

This is something that we have outlawed in the United States, in our antiboycott law. We have always recognized the right of one country to boycott another, and in fact what we are proposing to do here is to strengthen our economic embargo against South Africa.

But when we go down the road of secondary and tertiary boycotts, we really are unleashing chaotic forces in the world trading system, forces that may have consequences that we do not presently envision or fully understand.

I am concerned that if we move further down this road toward secondary and tertiary boycotts we are going to hasten the erosion of multilateralism in the world economy and inject even greater chaos than we presently see in the world trading system.

U.S. interests may in fact, down the road, become victimized by secondary and tertiary boycotts of other countries. This is something that Congress itself has recognized; accordingly, Congress has outlawed participation in secondary or tertiary boycotts in other contexts. Now we are proposing that we make it a part of United States policy toward South Africa.

There are, of course GATT issues which also would be raised. I am not going to go into them in detail. The provisions that are mandated by the legislation before the committee would give rise to GATT complaints that would require providing compensation to our trading partners.

Enacting these provisions into law would be a derogation of the GATT's most-favored-nation principle, would violate the Government procurement code, would create quantitative restrictions which the GATT forbids and would undermine other provisions of the GATT, including article 3, national treatment.

You asked one earlier witness what the price tag might be. It could be great. It depends on just how Customs administers these provisions. If, in our desire to embargo the South African economy, we wind up with rules which amount to an embargo of a significant amount of trade from secondary and tertiary countries, the price tag could be quite high. We need to take this fact into account, I think, as we design our policies to effect change in South Africa.

I do not want to leave you with the impression that I am opposed to this legislation or to effective steps to bring about change in that troubled country. I am most certainly not.

I am, however, opposed to permitting our frustration with the apartheid system to lead us into making changes in our commercial policy which are not going to be effective achieving in the goal we set for ourselves, which constitute bad policy, and which could come home to haunt us.

In closing, I think if Congress really wishes to bring about the kind of external pressure that can effect change within South Africa, we need to revisit the multilateral approach.

In H.R. 1580, there are provisions that would require the President to enter into international cooperative agreements to impose sanctions against South Africa. I believe multilateral sanctions would be much more effective, certainly much more effective than efforts by the Congress to unilaterally, on the part of the United States, enact laws that would attempt to achieve multilateral sanctions simply through our own unilateral action.

That is not going to be effective and it is going to disrupt the broader international effect. Thank you.

[The statement of Mr. Rivers follows:]

STATEMENT OF RICHARD R. RIVERS, ESQ., WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee: My name is Richard R. Rivers. I am very pleased to have this opportunity to offer my personal views on certain aspects of H.R. 1580, the Anti-Apartheid Act Amendments of 1988. My testimony will address Section 402, the provision which would mandate certain restrictions on foreign persons taking "significant commercial advantage" of the sanctions and prohibitions the bill would impose. I will also address Section 302, as modified by the McCollum Amendment, which would extend the trade embargo against South Africa to encompass any foreign goods made from South African materials. These provisions are contained in the version of the bill which was reported by the Committee on Foreign Affairs, and has been further modified by the House Banking Committee.

As some Members of the Subcommittee may recall, I served as international trade counsel to the Senate Finance Committee during the years 1974-1977 and later as General Counsel in the Office of the Special Trade Representative during the Tokyo Round (1977-1979). I am currently a lawyer in private practice with a particular interest in international trade and investment. So, I have the perspective of a private practitioner but also someone who has seen U.S. trade policy from both Capitol Hill and Pennsylvania Avenue.

I would like to state at the outset that I fully understand both the value and the importance of bringing maximum economic and political pressure to bear on South Africa to hasten the demise of the apartheid system. Accordingly, I firmly supported enactment of the Anti-Apartheid Act of 1986, and my testimony today should not be construed as that of someone opposed to the imposition of further economic sanctions against South Africa. I would also like to make it clear I am appearing strictly in a personal capacity, not on behalf of any individual or organization.

I am concerned that two provisions of H.R. 1580 are unworkable at best and could undermine U.S. trade policy. The first of these provisions is § 302, as modified by the House Banking Committee, which would prohibit the importation into the U.S. of any article containing components or constituent parts of South African origin. This language is overbroad and would be very difficult to administer at the border. It could be construed by Customs to cover items as diverse as automobiles with South African chrome-plated parts or West German drill bits utilizing South African diamonds. This would entail a "country of origin" test and would give rise to endless litigation.

The second provision is § 402, which would impose mandatory trade sanctions on foreign persons who take commercial advantage of H.R. 1580 or similar anti-apartheid sanctions. In effect, these provisions propose that the U.S. adopt secondary and tertiary boycotts.

Although the U.S. has always recognized the right of one country to boycott another, it has also steadfastly opposed secondary and tertiary boycotts. An example is our own anti-boycott law. This legislation is premised on the principle that no American company should be forced to implement or help enforce another country's boycott. This principle has been championed by the U.S., even when our trading partners were reluctant to take a similar public stand. We have made much progress since the mid-1970s in convincing our major trading partners of the importance of this principle. I am concerned that if the U.S. by its own example moves further down the road toward secondary and tertiary boycotts, we will hasten the erosion of multilateralism and inject even more chaos into the international trading system.

Section 402 directs the President to limit the importation into the U.S. of any product or service of a foreign person or restrict that foreign person from contracting with the U.S. government to the extent that that foreign person takes "significant commercial advantage" of any sanction imposed by the Act or any comparable sanction imposed by another country. This retaliation could take the form of quotas or quantitative restrictions imposed on goods imported from that foreign person, an embargo of that person, an increase of tariffs on the goods of that person, and/or the restriction of that person's right to participate in U.S. government procurement. The imposition of such sanctions by the President would almost certainly give rise to complaints under Article XXIII of the Generalized Agreement on Tariffs and Trade ("GATT") that the U.S. had violated its GATT obligations and should make compensation in the form of trade concessions.

Such complaints could be based on at least four grounds. First, each of the above means of retaliation violates the "most favored nation" principle of Article I. This principle of non-discrimination has long been championed by the United States, and has been described as the "fundamental and central obligation of international trade policy." Second, the raising of a tariff beyond the maximum tariff rate agreed to for that good in the GATT tariff schedules would violate Article II of GATT. Third, the imposition of any further restriction on trade would violate Article XI, which provides for the general elimination of quantitative restrictions. Finally, restricting a foreign person from contracting with the U.S. government would likely violate U.S. government obligations under the GATT Agreement on Government Procurement.

The only defense under the GATT that the U.S. could offer to these complaints would be that it needed to take this step to protect its national security -- that is, that the national security of the U.S. required that apartheid be abolished. Obviously, such an argument would be highly attenuated.

In addition to these GATT problems, it would be very difficult to enforce § 402 since the Act offers no quantitative way to measure the point at which a foreign country takes "significant commercial advantage" of the Act. What is "significant commercial advantage?" A thousand dollar sale of a like-product to a South African company that had previously bought from a U.S. company? A million dollar sale? The vagueness of this phrase renders it almost useless in discerning the point at which a foreign person may be penalized.

Finally, Section 402 as it is written might also raise constitutional concerns under the Fifth and Fourteenth Amendments.

I do not want to leave the Subcommittee with the impression that I am opposed to this bill. I am not. I am simply opposed to permiting our frustration with apartheid to lead us to adopt amendments to our trade laws which are unworkable and bad policy precedents.

The key to making economic sanctions against South Africa work is multilateral pressure. Congress recognized this when it passed the Anti-Apartheid Act. Title IV of that Act, entitled Multilateral Measures to Undermine Apartheid, grants the President negotiating authority to achieve this end. Section 401 states that it is "[t]he policy of the United States to seek international cooperative agreements with other industrialized democracies to bring about the complete dismantling of apartheid. . . . The net economic affect of such cooperation should be measurably greater than the net economic effect of the measures imposed by this Act."

The problems we have encountered in making sanctions stick can be largely attributed to the Reagan Administration's unwillingness to take any action to achieve this goal. Despite Congress's request under § 401 that "the President ... convene an international conference ... to reach cooperative agreements to impose sanctions against South Africa," the Reagan Administration has chosen to pursue precisely the opposite course. When presented with the opportunity in the United Nations to impose sanctions equivalent to the Anti-Apartheid Act, the Administration vetoed the provision, thereby preventing its adoption.

If Congress really wishes to enforce its economic sanctions against South Africa it should ensure the enactment of those provisions of H.R. 1580 that require the President to enter into international cooperative agreements to impose sanctions against South Africa. It is my firm conviction that working with our allies, rather than erecting trade barriers against them, is the most effective way to bring about the end of apartheid.

Chairman GIBBONS. Thank you, Mr. Rivers.
Mr. Wilson.

STATEMENT OF ROBERT DALE WILSON, ESQ., WASHINGTON, DC

Mr. WILSON. Thank you, Mr. Chairman, members and staff of the subcommittee. My name is Robert Wilson. Until this past Friday, I served as executive director of the National Critical Materials Council, a part of the Executive Office of the President, and, prior to that, as Director of Strategic Resources at the U.S. Department of Commerce, dating back about 7 years.

Thank you for asking me to present testimony today. Please note that I appear here on my own behalf and not on behalf of any private interest of the administration.

During the recent debate on South Africa, scant attention has been given by many in our Government to that country's mineral resources and their importance to the free world.

In May of 1985, I concluded a joint field trip to South Africa with the U.S. War College. The purpose was to review the mineral industries of South Africa and their importance to the functioning of the U.S. economy.

Some of the key findings were as follows: South Africa possesses the greatest concentration of strategic and critical materials as defined by the U.S. Congress that exist in the western world. Its mining industry has developed a world-class technical capability.

The maintenance of free market access to manganese, vanadium, chromium, platinum metals, gold, ferroalloys and cobalt, that is produced in or shipped through South Africa, is vital for the U.S. defense and industrial base, and for our preparedness in case of a national emergency.

In contrast to the Soviet Union, which is virtually self-sufficient in all of these metals, the United States and its allies must confront an increasingly complex and vulnerable system of production and distribution.

There are several important mineral commodities for which the Soviet Union and its allies are the only substitute other than South Africa. These minerals include the platinum group metals needed for distilling gasoline, manganese and chromium needed to make steel, vanadium and cobalt which go into steel and many defense applications.

It is important to note that the total known reserve base in the world for these metals is largely concentrated in two areas. For example, for PGM, Platinum Group Metals, 90 percent of the total known reserves in the world are in South Africa; 9 percent are in the Soviet Union.

For manganese, 71 percent of the total known supplies are in South Africa; 21 percent in the Soviet Union. For chromium, 84 percent of the known reserves are in South Africa; 2 percent, Soviet Union. Vanadium, 47 percent, South Africa; 25 percent Soviet Union. Cobalt, 32 percent in South Africa; 3 percent in the Soviet Union.

Simple arithmetic tells you that for a few of these metals, 97 or 98 percent of the total known supplies in the world are in two places—the Soviet Union or South Africa.

Since the passage of the Comprehensive Anti-Apartheid Act of 1986, the situation with regard to minerals is beginning to change.

In the 15 months following passage of the first act, a number of imports from the CMEA—that is the Council of Mutual Economic Assistance, commonly known as the Soviet allies—their imports have increased over an average number of imports over a baseline period for 1981 through 1985.

The Commerce Department collected these figures pursuant to a provision in the 1986 Anti-Apartheid Act.

The most significant increases in U.S. dependence have been in the following areas: a 500-percent increase in exports from the Soviet Union for chrome ore to the United States; 500 percent from the Soviet Union, ferrosilicon to the United States; 5,000 percent increase from the Soviet Union on antimony which comes from the Soviet Union to the United States; and a 400 percent increase in rhodium, one of the platinum group metals.

The reasons for these increases are not clear at this time. However, there is clear evidence that the U.S. dependence on the Soviet Union and its allies increased at precisely that point in time that the Anti-Apartheid Act of 1986 was passed.

The final analysis are not yet completed, but it appears that while the metals were not directly prohibited by that previous act, there has been a chilling effect on trade with South Africa. Frankly, some of the metal traders in New York have told me they feel more secure in dealing with the Soviet Union for these metals in the current environment of media sensationalism and emotionalism that surrounds the South African issue. They have told me they are afraid to voice their concerns for fear of a public relations backlash in this country.

There is additional evidence that sanctions are costly. The U.S. Bureau of Mines recently released a study that shows a decision to embargo imports of South African minerals would directly cost the United States an estimated $1.85 billion per year. That study was done at the request of the Department of State to help the President and Congress to determine the true cost of a national embargo of these metals.

This figure of $2 billion does not include multipliers, and downstream effect. Therefore the damage to the economy could be several times that amount.

My understanding is that there will be a request made to the Secretary of Commerce soon for the Bureau of Economic Analysis to perform an additional study to see what the true cost of cutoff would be.

In addition, the U.S. Department of Commerce estimates that 3.2 million U.S. jobs might be at stake should a cutoff of these metals occur for some reason.

And frankly, all of this comes at a time when OMB is trying to sell off 96 percent of the inventory of strategic metals that we hold in the National Defense Stockpile.

In my 7 years of advising the U.S. Government on mineral and advanced material issues, I have had the opportunity to discuss these issues with some of the most knowledgeable people in the world, many who served in the United States during World War II when we had some metal shortages.

Generally, my opinions are based on that experience. The issue of metals from South Africa is an extremely complex one. For some applications of some metals there will be substitutes or alternative sources of supply. However, for some applications of some metals there are no substitutes other than those from the Soviet Union, which can hardly be considered reliable, even with glasnost.

Responsible leaders must make sure that these metals do not become the sudden captives of a hostile Government or the subject of embargoes of sanctions. These metals are absolutely essential the functioning of the U.S. economy and its national defense.

Of particular importance is the recent trend of increased dependence on the Soviet Union. Obviously, Congress did not intend that the Soviet Union benefit as a result of this act, yet the increased dependence began occurring at precisely that point in time.

It is a sad state of affairs when the industrial community of the United States is afraid to voice concern over their jobs and their industries because of the rampant emotionalism of the South African issue, even when millions of U.S. jobs may be at stake.

Some people have told me that we should not discuss the metals situation with regard to South Africa because—and I quote—"discussing this dependence might make our foreign policy appear to be in our own self-interest." How dangerous.

Congress needs to remember that Oliver Tambo, president of the African National Congress, and Desmond Tutu, have stated, and I quote from the October 13th Washington Post: "Washington could be punished under black rule," and that a new Government in South Africa might withhold metals from the United States.

To my knowledge, the South Africans have never threatened to withhold metals from the United States; however, you are beginning to hear rumblings of this now.

I believe it is folly to expect them to sit idly by while Congress passes a trade sanctions bill that would exclude all trade except for those items we urgently need.

A disruption of metals could make us totally dependent on the Soviet Union for key metals essential to the national defense infrastructure. I do not think we should allow that to happen.

In addition, recent reports from the Commerce and Interior Departments show a huge loss of U.S. jobs, not to mention the jobs in South Africa that would be lost, and loss of income to American citizens, should those metals not be forthcoming from South Africa.

And finally, again, this comes at a time when OMB plans to dispose of the total reserve categories for some of these metals.

Clearly, then, something has to be reconsidered. I look forward to answering any questions you might have. Thank you.

Chairman GIBBONS. Thank you. Dr. Gann.

STATEMENT OF L.H. GANN, PH.D., SENIOR FELLOW, HOOVER INSTITUTION

Mr. GANN. Mr. Chairman, I would like to thank this committee for giving me an opportunity to present evidence. I am a professional historian and I have written extensively on the history of Africa, including Southern Africa.

I totally oppose sanctions on South Africa, both on the grounds of effectiveness and of morality.

Let's take effectiveness first. There is a widespread mindset which assumes that South Africa is weak, that it is dependent, and that it can somehow be controlled from the outside. This entails what I would call the application of the dependency theory to South Africa. But the theory does not work for South Africa.

South Africa is both economically and militarily the giant of Africa. It is the only African country which has a balanced agriculture, a balanced mining industry, and a balanced manufacturing industry.

South Africa can manufacture a very large number of products, including rockets, including highly sophisticated mining equipment.

South Africa supplies, and has for a considerable time, supplied, the bulk of its own capital. To give you an exact figure, and this one I happen to remember—in 1983, only 14.9 percent of all South African capital stock was directly controlled by foreign interests. Hence South Africa is totally different from a "banana republic". Since 1983, the "South Africanization" of the South African economy has accelerated and has, indeed, in part, as we have heard from other witnesses, as the result of divestment.

Sanctions against South Africa are extremely difficult to enforce. Not only is South Africa an economic giant within the African system. South Africa's African neighbors are dependent on South Africa. They rely on South Africa for their markets, for capital, for skills, for right-of-way communications, for port facilities, and so forth.

They say one thing, but they do another. Zambia deals with South Africa when it needs new railway carriages. We should therefore discard a great deal of the international rhetoric, and we must remember—it is a point worth repeating—that sanctions cannot be made watertight when so many countries have a direct stake in circumventing them.

Sanctions, moreover, can be evaded, as we saw in the case of Rhodesia, a much weaker country, with only one-fifteenth of South Africa's GNP.

Rhodesians had traded through entrepots such as Dubrovnik, a port in Yugoslavia. They had traded through Hong Kong. As regards South Africa if sanctions do not succeed in their avowed object, they will be counterproductive in a psychological sense. If sanctions fail, as they will, the Pretoria Government—will appear strong, and we will appear as a "paper tiger"..

I turn to the issue of morality. Most of my opponents feel convinced that they hold the central plateau of morality, that they are somehow the world's moral reference group.

But I cannot share their point of view, and I cannot share their assumption that South Africa is somehow one of the world's worst countries, or possibly the worst.

Why do I assume that? Well, we are not talking here about economic warfare or sanctions against the Soviet Union, or Ethiopia, or Mozambique, or East Germany, all of which have violated human rights, and all of which are our enemies.

We are talking about sanctions against South Africa, which is not an enemy of the United States; which has not promoted terrorism against American citizens; which has not abducted American airplanes. We are picking out South Africa, and South Africa only.

Now I do not happen to like its polity, and I have written quite extensively on what is wrong with South Africa. Nevertheless, South Africa must be seen in an African setting. South Africa is an African country. It must be seen in the context of a continent where most States are ruled by military dictatorships or one-party dictatorships.

Now South Africa does have what many other countries in the world lack—legalized trade unions, including black trade unions, unions that can actually go on strike, and do go on strike. South Africa also has a vigorous oppositional press; relatively independent universities; legal parliamentary opposition; freedom of religion; freedom to emigrate.

It would be very pleasant if Mr. Gorbachev's glasnost policy would concede similar freedoms to the peoples of the Soviet Union.

Now a 1.5 million Africans share my point of view, that South Africa is not the world's worst country. Why do I say so? An estimated 1.5 million Africans have moved from outside South Africa into South Africa. They have voted with their feet.

Now I certainly do not claim that these immigrants came to South Africa because they liked its system. They have come in search of better jobs, more opportunities. But they would not have come, had South Africa been or were what Nazi Germany was to the Jews—the worst, worst—the world's worst country.

I might add, moreover, that few of the estimated 5 million refugees on the African Continent have come from South Africa; there has not been vast emigration, a characteristic symptom of a deadly dictatorship.

Mr. Chairman, I was asked to limit my remarks to 5 minutes, and I shall therefore not continue with my other notes. I did submit a statement, but I shall be very happy to answer questions.

[The statement of Dr. Gann follows:]

WHITHER SOUTH AFRICA ?

by

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Almost in unison, clergymen and students call for sanctions and disinvestment and divestment by American business interests and universities; militants agitate for revolution; and Congress wants to impose more sanctions. The United States wants peaceful change in South Africa, however; and in my view this economic pressure will not achieve those ends but rather will stop reform, unite the whites, and harm the material welfare of blacks in South Africa.

The U.S. Congress and other critics of South Africa have made four basic errors in judging that state. One; they overestimate the United States' ability to effect change in South Africa. Two; they think that boycotts and sanctions will quickly bring about the end of apartheid supposedly because the whites will not risk their economic well-being to sustain it. Three; they believe that South Africa is in a revolutionary condition, and that external pressure can force the government to reform before a bloody civil war erupts. Four; they hold that South Africa is like the American South and needs only to enfranchise blacks in a one-man, one-vote principle to achieve democracy and stability.

Weakening South Africa by imposing economic pressure is not, in my view, an effective means to end apartheid, no matter how intense U.S. hatred of that racist system. We all agree on the ends to be achieved - the end of apartheid - we do however disagree on the means to be used to achieve this end.

Advocates of sanctions against South Africa assume somehow that South Africa is the world's worst country -- After all , no similar sanctions are being proposed against countries such as Ethiopia Albania, Vietnam, Rumania whose civil rights record is much worse than South Africa's. In terms of the numbers of people jailed, expelled , or murdered ,South Africa does not, unfortunately, stand on top of the list,either in Africa or the world at large.South Africa has a legal parliamentary opposition, a legal oppositional press, relatively free universities, independent publishing houses. South Africans are free to emigrate, though few do so. (Only a small fraction of the estimated 5,000,000 refugees on the African continent derive from South Africa.) Something like 1,500,000 Africans have migrated to South Africa -- they would certainly not have done so, if South Africa were indeed as brutal a tyranny as it is often represented. South Africa has independent trade unions (including black trade unions) that may actually go on strike. South Africa has embarked on a variety of reforms. South Africa moreover does not encourage terrorism against the U.S. or its allies; neither does South Africa form a military threat to this country. It would be pleasant to imagine that Mikhail Gorbachev's much publicized glasnost policy will one day seecure similar changes for the Soviet Union.

Sanctions moreover pose difficult problems. The aims of economic pressure are compliance, deterrence, reform, and avowed disapproval in terms of domestic and foreign symbolism. But in fact sanctions in the past have failed when they sought to seek these aims, though sanctions do have great appeal as symbols of opposition. Their value then is largely symbolic for the external actors: apply them if you will to show your anger at apartheid, but realize they will not topple a regime or force significant change. Supporters of economic pressure have failed to learn this lesson from history, nor have they correctly estimated the costs of sanctions and disinvestment that will be borne disproportionately by blacks in South Africa and in the surrounding states. The price will be slowed economic growth and rising unemployment throughout the region. If South Africa retaliates and denies free access to its railroads and harbors, black states will not be able to export their goods, their labor (1.5. to 2 million); indeed to import their goods, and there will be less South African money for investment in neighboring states. History's second lesson shows that economic pressure unites the sanctioned nation and reinforces its behavior, while forfeiting the sanctioner's future leverage over the targeted state.

Sanctions and boycotts : inherent limitations

Sanctions and boycotts, the historical records show, have only worked when the targeted state was a weak and poverty-stricken or at least poor ally. Economic pressure has not succeeded against the Soviet Union, Cuba, or Nicaragua; it didn't defeat Rhodesia. Stopping the sale of krugerrands or the landing of South African airplanes will not change President P.W. Botha's mind. Although the United States was once South Africa's leading trade partner; we have cut our trade and investment; still we need what South Africa sells. (Minerals) Past restrictions on U.S. arms sales not only deprived the United States of a market, but spurred South African whites to develop an independent major arms industry. Since the West requires South African gold, platinum, diamonds, and strategic minerals - and alternative supplies are not easily available -- unless we choose to make ourselves more dependent on the Soviet Union for vital strategic minerals (See appendix.) The U.S. uses a great variety of South African imports; they continue to sell us platinum for car converters, chrome for super alloys used in tanks and cars, or gold. (60% of South Africa's exports are probably untouchable by boycotts and blockades; only 40% of exports could be further hurt by economic warfare, i.e., coal, steel, foods, clothing - these are the heaviest employers of black labor however. Coal and fruit embargoes have cost 300,000 jobs, clothing manufacturers have lost 50,000 jobs since 1986 and so on.)

American investments in South Africa occupy too small a place - 18 - 20 percent of foreign investment - in the nation's economy to be a major bargaining counter. South Africa today generates the bulk of its own capital (85 - 90 percent). The dependency model cannot possibly be applied to South Africa, a country characterized by a mature economy. On the contrary, disinvestment has speeded the ongoing process of Afrikanerization of the South African economy. It seems certain ,therefore that an American investment or trade embargo on South Africa is not likely to succeed. The balance of trade is in favor of the United States rather than the reverse. What America supplies can readily be obtained from other sources. Formal trade embargoes (violated by many African states) are no more likely to succeed than were American attempts to coerce Cuba, or the Stalinist attempts to subjugate Yugoslavia (like the Rhodesian case). In any case, the U.S. is no longer the largest trading partner of South Africa. Since 1984 we have been passed by Britain, West Germany and, above all ,Japan. We were never the biggest investor - Great Britain was and still is.

South African whites would not be the greatest losers if trade were further embargoed. The European Community - with 50 percent of total investments - would suffer a great loss of income and jobs. Great Britain supposedly stands to lose 100,000 to 140,000 jobs if further economic warfare is declared against South Africa.

Increased sanctions would be counterproductive not only for South Africa's black citizens, but also for its black neighbors - Lesotho, Botswana, Swaziland (BLS), and Zaire, Zambia, Zimbabwe, and Mozambique. These states depend on South Africa to handle the bulk of their imports and exports, to absorb their surplus labor, to borrow money from, to buy food and machines, and, for the BLS states, even to collect their custom duties (50% of their income). There is no talk of honoring sanctions or boycotts in the countries adjoining South

Africa. Zimbabwe's ruler Robert Mugabe has already said he cannot afford to impose economic pressure on South Africa. (The costs of greater economic pressure against South Africa for the neighboring states is estimated at $5 to $6 billion over two years.) And who is to pay this expense? While Zimbabwe wants us to sanction South Africa and to disinvest, they have increased their trade with South Africa by about 37%.

The loss of foreign capital will certainly slow economic growth in South Africa, and hurt some white exporters, but, again, blacks would suffer most from the resulting slowdown. And despite the claims of disinvestment advocates, the majority of blacks do not want sanctions if it hurts their material well-being. Indeed many African black leaders are now rethinking sanctions and disinvestment in light of its unexpected injury to black workers and benefits to white South Africa. It is obvious that victory over racism by sanctions and disinvestment techniques will not be easy or quick. Most black leaders do not want to make their supporters to suffer for years (as in Rhodesia) before victory. Black workers could well disavow their leaders, if victory doesn't come soon.

Thus sanctions have worked in one particular sense. They have slowed the growth of the economy (investment from abroad has decreased) and raised the cost of doing business for South Africa. Ironically, as in Rhodesia, however, embargoes can produce a short-lived (10-15 years) boom for whites by encouraging import-substitution industries in South Africa. The Afrikaner bourgeoisie would benefit further by being able to buy up foreign plants and technology cheaply.

Sanctions busting will further reduce the effectiveness of economic pressure. South Africa will use the same techniques that Rhodesia used so successfully between 1964 and 1979: vague produce names, deceptive labeling, (the Zimbabwe government use South African wines at all its receptions) falsified shipping orders, appeals to self interest that transcends ideology, (white Rhodesians, for example had extensively used the Yugoslav port of Dubrovnik, as well as Hong Kong as an entrepot for their under-the-counter trade.) The South Africans can also make use of third parties, and apply physical pressure on their neighbors. Since South Africa effectively dominates the economies and transportation systems of southern Africa, the white government can force the weak neighboring states to become sanctions busters.

We all agree: South Africa must reform; apartheid must go. But reforms are more likely to come to South Africa in a time of peace and prosperity, rather than in a time of harsh sanctions and slow growth. Historically, industrial development has formed the most powerful solvent of racial segregation. No more sanctions; more trade not less; and more investment, not disinvestment, offer the best chance, in my view, to end apartheid and to get a democratic state in South Africa.

A free, democratic society cannot emerge in South Africa, however, without some kinds of Western pressure mixed with support (the carrot and stick approach) and without strong economic growth. Economic growth of 5 percent a year is needed but will not be reached unless South Africa secures further foreign investment. Internal savings are not enough to fuel economic growth sufficient to absorb the two or three million currently unemployed and to insure work for over 500,000 graduates who come onto the job market each year. (Black population growth is 3 to 3.5. percent a year.)

Severe economic pressure on South Africa will probably promote a siege economy and encourage the most reactionary elements within the white community. The Afrikaner right wing got 30% of the white vote in 1987. We need to support the *verligtes* (liberals) in the Nationalist party; they alone can effect reform. Hopes for a strong and expanding economy, on the other hand, form a powerful incentive for the government to enact those reforms required by local business and labor. Economic pressure has certainly diminished the West's influence in South Africa and removed many incentives to change. Foreign investment, moreover, would stimulate economy growth in the entire region of Southern Africa, bringing greater stability and creating conditions for peaceful change. But to sustain 4 to 5 percent growth per year, South Africa will need foreign credit, investment, and encouragement.

Even the modest sanctions imposed by the West so far have undoubtedly hurt South Africa's growth; since 1981 hundred of thousands of jobs have been lost and the economy grew at 1 percent or less between 1981 and 1986. Since 1986 it has grown at over 2.5% to 3% a year. Still, business confidence has been shaken and new foreign investment has dried up, while old investment is being sold off - eighty-five U.S. companies have left South Africa in the past six years and the British firm, Barclay's Bank, has pulled out.

US companies sometimes left because profits declined and political pressure on them was great; it wasn't worth losing business in the US for smaller profits in South Africa. So, sanction pressure has been successful in reducing new investment and in getting companies to disinvest and universities to divest; but nevertheless , sanctions succeeded in getting political reforms or weakening the government. They have slowed growth in the economy but not stopped it. They have increased unemployment in some sectors of the economy - i.e. mining especially coal, (35,000), fruit and agriculture (200,000) clothing manufacture (50,000) etc., but this has not changed the white electorate views about sharing power with black citizens. And sanctions cannot change this in the short run, and maybe not even in long run, unless accompanied by truly effective guerrilla warfare against the white population.

The Current Situation

How stable is South Africa? How much is it subject to revolutionary change? Can the system be overthrown by military action or by naval blockade? Alternatively, will the South African establishment succumb to revolution from within, to guerrilla warfare, urban terror, or to more peaceful movements like demonstrations and strikes that could culminate in the breakup of civil authority? Could such actions succeed in smashing the existing establishment? In spite of the insurrection in black townships in 1984-86, South Africa, in my view, is not in a revolutionary condition. The armed might of the government has barely been used, and rioting, strikes, and boycotts ended early in 1987. Rioting and guerrilla operations have not seriously affected South Africa's economic production.

South Africa's armed forced are impressive by any standard. Their military preparations provide for both counterinsurgency and conventional warfare. South Africa has a small, mobile regular army and - like Israel - can rapidly mobilize a large active reserve. Its industrial infrastructure makes it almost self-sufficient in arms production. South Africa produces oil from coal and maintains a three to five-year oil reserve, so it is not immediately vulnerable to an oil boycott.

South Africa's major arms industry is capable of producing high-quality weapons at home. There is a well-developed infrastructure for logistics and a substantial manufacturing base capable of sustaining the armed forces. The South Africans have stockpiled a great arsenal of weapons, so the 1977 United Nations arms embargo has not hurt. South Africa is in a position to deploy armored forces supported by an efficient and well-trained air force. It has the technical knowledge and raw materials to build and deliver nuclear weapons, although it still requires foreign skills and equipment in large aircraft, rocketry and computers. But boycotts of such goods are almost impossible to enforce and, as in the past, there will be leaks.

South Africa's peacetime armed forces in 1987 include 76,000 men on active duty in the army, 13,000 in the air force, 9,000 in the navy, and 8,000 medical personnel for a total of 106,000. There are 130,000 in the "kommandos", a paramilitary force designed for local defense and counterinsurgency. South Africa can mobilize 250,000 men easily; by calling up all its reserves its citizen force numbers over 423,000.

These forces are well trained; morale is high; postings to the border areas of Angola, Mozambique, and Rhodesia have given them experience in field operations. The army is basically the white electorate in arms, so coups are not likely. Draft resistance and desertion are relatively low, although they have increased since 1984, when a portion of the army was deployed in the black townships.

The army remains highly motivated. Its members believe they are fighting for their homes and future; they are not like so many of the Portuguese or U.S. draftees of the 1960s or 1970s alienated in fighting in overseas wars. As in the Rhodesian experience, South Africa has begun to use more and more blacks and Colored fighting men, a development fraught with far-reaching military and social consequences. (The Rhodesians largely fought their war to a large extent with black troops.)

For internal defense, South Africa has a police force of 65,000 men, 58 percent of whom are white. There are only 32,000 black, Indian, and Colored police for almost 26 million people - the country is, in effect, under-policed. The crime rate is high in the cities, but white areas of South Africa are well protected and safe by American standards. Some townships were ungovernable from 1984 to 1986, but now appear calm because of the state of emergency declared state of emergency, massive arrests, and the resumption of government control over "liberated " townships.

The police have an extensive intelligence network, as well as great powers of control under the various pass laws (suspended in 1986) and antiterrorist and anticommunist legislation. The police are a vital component of South Africa's internal defense. No revolutionary breakdown could occur without the disruption of the police establishment. The attacks since 1984 on policemen in the township however, have important implications for the continued stability of the state. The IRA in Ireland won independence largely by killing policemen and civil authorities making Ireland ungovernable. This the 'comrades' tried to do but failed.

Is a war against South Africa likely to be successful?

Combined military action on the part of individual African states or the Organization of African Unity (OUA) is not likely. On paper, the independent black states can raise a considerable force. Nigeria alone, for example, has an army of over 100,000 men. But OAU members lack a common military organization, doctrine, leadership, training methods, plan, and general staff. Most African armies cannot operate outside their own borders for political and logistical reasons. None have shown the ability to fight a modern Western army. Zaire, with an army of 40,000 men, still had to call on two battalions of Moroccans to defeat some rebels based in Angola.

The OAU can offer money, guns, and training facilities on the South African borders, but supply and training facilities are vulnerable to attack. Most countries near South Africa have small, weak armies and experience internal unrest. Angola has a large Cuban force (ca. 40,000), but civil war still rages there. Angola and Mozambique pose no major threat for now, although the large and ongoing Soviet buildup of missiles and aircraft in Angola is a threat to South African military in Namibia. Since the 1984 Nkomati Accord, Mozambique can no longer train ANC guerrillas and harbor them. Given the extent of Mozambique's own domestic disorder, it cannot otherwise threaten South Africa.

Intervention by means of conventional forces would have to be carried out by troops drawn from outside of Africa, by proxy armies such as Castro has provided for the Soviet Union. But Cuba probably has its hands full in Angola and Ethiopia. Its entire army is about 100,000 men, and this could not defeat South Africa. Even East Germany could not carry out such a large-scale effort overseas. It would take a major force to do that.

Any power trying to invade the country faces major base and logistics problems. Mozambique is not suited as a base - it has few harbors, bridges, and roads, and its economy depends heavily upon South Africa. (Mozambique sends laborers, receives funds from transit trade through Maputo, sells electric power from Cabora Bassa, and needs South African technicians to run the railroad, ports, and Cabora Bassa itself.) Angola - riven by civil war - is an even less likely base. Namibia also would be unlikely, even if it were free from South African control. It has an inhospitable coastline with few major ports, difficult terrain, and is too far from South Africa's heartland. Zimbabwe could be a possible base were it to become a one-party Marxist state, yet the Limpopo River is a natural barrier, and South Africa would not tolerate any significant military buildup in Zimbabwe.

In any case, a massive amount of material would have to be brought in by sea, air and railroad to launch an assault. All land attacks from overseas would be handicapped by distance and topography. South Africa has the advantage of internal lines of communication and a mobile defense in depth, and its geographic area is as big as Western Europe.

A seaborne invasion would be equally daunting. It would require a great force and would face problems of supplies, distance, and lack of port facilities. There is a serious possibility that South Africa has developed its nuclear potential and now has nuclear weapons. Employment of such weapons on the battlefield probably would render obsolete any massive invasion forces of the kind deployed in Normandy during World War II.

A naval blockade would be difficult, given the length of South Africa's coastline, which extends for over 2,200 miles. Furthermore, a blockade could harm South Africa's black neighbors - more than South Africa itself. South Africa can feed itself, and is self-sufficient in most raw materials except oil. A naval blockade of South Africa might lead to the economic disintegration of Zambia and Zimbabwe as well; hence such action is not a reasonable weapon for the West to contemplate.

The history of blockades and sanctions shows nothing but failure. The tiny white minority of Rhodesia was not crushed by the world blockade and sanctions. It survived from 1964 to 1979. Rhodesia actually had managed to more than double its gross national product between 1966 and 1975, sanctions and civil strife notwithstanding. White Rhodesia's demise became inevitable only when South Africa, tired of the heavy financial and political costs, ceased to support the Smith regime and Mugabe exchanged the rifle for the ballot and won an election with a moderate platform. South Africa is a much more formidable nation.

The future for Guerrilla Warfare

Prospects are not good for black guerrillas either. South Africa is not like France, which had to give up Algeria because of discontent at home. Nor is its case similar to that of the Portuguese in Angola and Mozambique. The Portuguese military revolted after fourteen years of fighting in an overseas colonial war. The guerrillas did not drive the Portuguese out; it was young, drafted, middle-class, college-student officers who overthrew the Portuguese empire. In times of stress, South African whites support their government; they would be fighting at home for their own survival, so the army is not likely to rebel.

The chances for guerrilla warfare are best in a society whose ruling class if divided, dispirited, or corrupt, as was the case in Nicaragua, Vietnam and Cuba. The army and police must be easily penetrated by the revolutionaries, and a military defeat should have weakened the army. For guerrillas to succeed they need a united party guided by a determined and cohesive cadre.

Few of these conditions apply in South Africa. The most radical white dissidents are to be found in the churches and the universities. They have not and cannot penetrate the army, the administration, or the police. The state machinery is efficient; the ruling party has suffered three splits, but overall remains reasonably confident and is supported by the great majority of whites.

South Africa's whites cannot be reached by an appeal to black nationalism either. The record of countries such as Uganda, Tanzania, Angola, and Mozambique is dark. The record of independent Africa in safeguarding human rights or protecting minorities is too poor to inspire confidence among whites that their persons and property could be safe under black governance, especially by the African National Congress. The radical posture of the ANC (nationalize the mines and industries, no constitutional guarantees for whites and call for all land to the people) has made it easy for the white rulers not to make any concessions to black nationalism because whites feart they will be confiscated.

Guerrilla organizers face additional difficulties. The police and security forces are efficient and well-informed - with informants everywhere. The government and police have numerous administrative rules and laws that restrict revolutionary action. Until recently, passes and registration books made it difficult to move around the country to organize the masses. This may change now that influx control has ended, but revolutionaries have as yet not disrupted the armed forces or police. This is a task they must accomplish if they are to win. The black and white radicals do not speak the language of white workers, farmers, or businessmen, and this cannot subvert them. However, the sustained violence in the black townships and the intimidating of police and local officials by the "comrades", a new development since 1984, does have revolutionary potential.

Still, guerrillas will continue to be trained in Angola and in Eastern Europe and the Soviet Union. The Soviet Union also arms them. There will be guerrilla attacks on South Africa in the future. There have been few up to now; efforts have concentrated on getting guerrillas into the towns to work undercover, but without much success. Guerrillas can come in via Zimbabwe, Botswana and Swaziland, but these states are heavily dependent on South Africa and must be careful of aiding the ANC, so they are not good bases at present. Mozambique's border is heavily armed and guarded. Invaders must go through a vast depopulated area before they come to South African towns; distances are great for guerrillas to walk carrying arms, food, and water. Border areas are patrolled by men, dogs, and planes. It would be hard to infiltrate large numbers of men and arms from Mozambique, for the border region is largely open country. There is no jungle in which to hide.

Urban terrorism has escalated since 1984, but so far has not been significant and has not affected white areas sufficiently to frighten them. Even if the urban terror campaigns were stepped up, this could not defeat a strong government. The IRA has not won in Northern Ireland, and the PLO has lost in Jordan and Lebanon. Urban warfare can hamper industrial societies, but cannot stop them from operating, nor can it destroy the will of the people to resist - as shown by the examples of Israel, Lebanon, and Ulster.

Guerrillas and terrorists certainly will continue to be a threat. There will be small-scale attacks on the borders and a certain amount of urban terrorism, but no major invasion by liberating forces or combined attacks by foreign and African forces from Mozambique, Zimbabwe, Botswana, Zambia are likely for some time to come. As Israel's experience has shown, guerrilla attacks and multi-national forces are not very effective. South Africa's resources are greater than Israel's; its geographic size is much larger, so that a defense in depth is possible. Partisans, no matter how well armed, cannot paralyze the economy, the armed forces, or the government. Given present conditions, then, prospects for a violent overthrow of the South African system either by foreign invasion or by guerrilla assaults, internal or external, remain unfavorable.

The South African opposition continues to be divided and poorly organized. South African revolutionaries largely are in the South African Communist Party (SACP) or its front organization, the African National Congress (ANC). Both organizations are banned in South Africa, and operate in exile from London, Angola, Zambia, and Tanzania. The SACP has money and some gifted intellectual leaders. It manipulates a large number of anti-apartheid groups overseas, but its real strength within South Africa appears to be very limited. Guerrillas trained in Angola and Eastern Europe and sent in through Mozambique and Zimbabwe usually have been caught. The relative absence of terrorism and urban guerrillas suggests few underground movements operate in South Africa for long. (Many "comrades" in black townships do not appear to have been controlled by the ANC or the SACP.) The ANC appears to some observers to be riddled by the dissensions and jealousies common to exiled parties and to be an army of officers without privates. It fights with the other major black group, the Pan-African Congress (PAC). The ANC and SACP follow Moscow, the PAC follows Beijing. The real revolutionary potential of the ANC, SACP, or the PAC is therefore negligible at this time.

Are there nonviolent or semi-violent ways to revolution? The historical record is also bleak here. Civil disobedience and passive resistance campaigns have failed. So have industrial strikes. Labor has not been mobilized for strike action,except in the Eastern Cape and in the Transvaal mines, but labor has failed in a political sense. Usually migrants workers ignore the call to strike, and although unions have grown to an estimated 1.5 million members, they are weak, not well-organized or united now that their leaders have been detained. In any case strikes cannot overthrow the South African government - even the British general strike of 1926 was a failure. The United Democratic Front had some control in black townships between 1984 and 1987, but were defeated by the police and bulldozers - whole townships under their control disappeared. The UDF and allied organizations face serious problems. Their structure is highly decentralized; national coordination remains difficult; many of their leaders are now in hiding or in detention, and their strong arm tactics alienated people.

Riots and sabotage have been no more successful. The recent riots, (1984-87), boycotts, "necklacings," burnings, and the closing of schools showed youthful zeal and anger but have not affected the basic power structure. Soweto is over fifteen miles from Johannesburg; its riots had negative impacts on the whites, and boycotts only temporarily threatened industry and business. The youth revolt and that of the unemployed may mark a new revolutionary chapter in South African history, but according to the SACP's careful analysis, the state machinery was not endangered by the Soweto riots of 1977 or by the current unrest; the ruling class was not near collapse ten years ago, nor is it in 1988. The riots were not nationwide - less than ten percent of the magistrate districts saw violence. Neither did they involve the rural people. Blacks remain largely unarmed. State of emergency measures have broken the back of the "comrades," the unions, and most other dissident groups. South Africa is not yet therefore in an insurrectionary state.

The South African government has various other military advantages. Black people are housed in segregated townships located miles away from white cities. Government forces can regulate their access routes, electricity, and water supplies. African live in small houses laid out along straight roads that can easily be controlled by armored cars and helicopters. Except in shantytowns like Crossroads, there are no alleys, backyards, and winding lanes - such as in Algerian cities where guerrillas can hide. Soweto may provide a setting for an urban riot, but it cannot topple a determined government. Poorly armed rioters cannot seize the means of production or of governance. The recent violence has been confined mostly to black areas.

The black opposition has to cope with even more disabilities.

There is no united political leadership to harness existing discontent, now that the UDF has been largely smashed and its base of support in the townships weakened. Unemployment has been widespread among Africans since 1981, so strikes will be harder to organize. Militants cannot easily get arms, and men seldom rise when failure seems assured. As black leaders emerge they are arrested, detained, banned, imprisoned or driven into exile, and their movements suppressed.

Sadly, no single African, Indian, or Colored leader or group has been able seriously to challenge the system and survive internally since 1880. Through its use of preventive arrests and police informers, the government has been able to remove or neutralize every opposition movement. There can be no growth of leadership, if it is constantly changing. And no peaceful solution is possible if government keeps arresting the moderates as well as the radicals. Nevertheless, there are grounds for hope. Major reforms have weakened the apartheid system in some respects. The Nationalist ruling party has lost its former faith in the system. The U.S. should encourage reformers -- but we cannot do so, if we wimply cut our links with Pretoria.

What are the whites' and blacks' options?

The Whites' see their options as power-sharing, emigration, partition, and modified apartheid. At present power-sharing involves no more than consulting with Blacks while sharing limited political power with Indians and Coloreds. Hopefully Blacks will have their own parliament soon. Unfortunately, the whites are not yet ready to share a common franchise, or establish a federal or confederal system.

Migration is not practical for most whites; only highly skilled, professional people can pack up and leave. In any case, most whites feel they are South Africans and do not want to depart.

Various schemes for partitioning South Africa are being suggested. But no one can agree on a just partition, and it makes no sense in an economically integrated industrial society.

The present policy seems to be to gain support for a modified form of apartheid. This program will cost a great deal. More land and resources will have to be assigned to Blacks. Meanwhile, some concessions to urban blacks, Indians and Coloreds are being made to get them to acquiesce to a modified apartheid system. This is unlikely to satisfy black South Africans. Apartheid must be totally abolished -- but that will still leave the question of power sharing and what kind of political system is likely after apartheid.

A liberal, democratic solution is not on the cards. The Whites believe that one-man/one-vote is not an acceptable goal. Liberal democracies, they argue, can allow power to pass from party to party by a simple electoral majority; but that is not possible in deeply divided, multi-ethnic, multi-racial societies.

When a party loses power in a pluralistic democracy, its basic rights and cultural integrity are not endangered. But when political parties represent ethnic groups, as they typically do in deeply divided societies, ethnic groups that lose political power often lose everything else as well.

Historically, ethic politics have been harsh, with one group dominating the others. So, white leaders in South Africa have continued to decide unilaterally how much to concede to Black demands, although President P.W. Botha has promised more consultation with Blacks. Still Botha is not willing to share power with them and since he has the force to impose his will, the Black South Africans can do little about that. Thankfully, Botha will not be in power long, in 1989 a new president will be elected.

For now, a consensus society based on majority rule is out of the question because Whites will not accept it and the ANC and the US cannot force it. The races in South Africa do cooperate more than you would believe from the media or critics of South Africa, but they do not share in a common political culture or value system. Conflict will not resolve the country's problems and consensus appears impossible in the short run. Hence a third way could be tried: a consociational system that would be democratic but not based on the principle of one-man/one-vote. Consociation has operated effectively in countries in the past as varied as Lebanon and Switzerland, and Holland and Belgium.

Consociation implies continued social and ethnic diversity based on a policy of pragmatism and tempered by cooperation between the elites of each group. These elites could act as brokers to limit conflict and to reach accommodation and a balancing of power between their conflicting interests.

In such a state, elected representatives of each ethnic community would rule and would hold veto power over decisions affecting that ethnic community. The central parliament of the coalition government would be elected by proportional representation.

A peaceful South Africa therefore can be created, albeit with great difficulty. For any regime to succeed, it must recognize the diversity of South Africa's ethnic, political and economic groups, and mediate between them. The striking differences in status and material wealth between Blacks, Browns and Whites must be reduced. The whites will have to give up somethings since they own 87% of the land but are less than 17% of the population. Political power cannot be restricted to Whites, Indians and Coloreds, and to traditional tribal rulers; leadership roles must be shared with blacks and among all group elites. South Africa will have to accept a federal or confederal system, but not one based on the homelands (Bantustans) concept.

All racially discriminatory legislation and practices will have to be ended. Some progress has already been made in this direction: Segregation had ended in public buildings, in most urban hotels, bars and restaurants; jobs reservation for whites and the Mixed Marriages and Immorality Acts have been repealed. Black Unions have been organized. The pass laws system and influx control are dismantled. But the rest of apartheid must be dismantled also. In its stead, South Africans will have to build a national consciousness based on human rights and equality before the law.In addition, South Africans of all colors would stand to benefit by reducing in size the over-grown state sector in the economy, and by installing a system of genuinely free enterprise based on a free and unfettered market in labor, land, and merchandise.

This complicated, delicate process of accommodation, power-sharing and leveling can only succeed if all groups cooperate. Such cooperation will not be easy in a deeply divided, multiracial, ethnically diverse society — a society that has long been dominated by Whites and is under attack by the South African Communist Party, the African National Congress and the Pan African Congress, as well as many Black states and the United Nations.

For now, South Africa does not need further confrontation and polarization, but rather a dialogue on how power can be shared in South Africa in a way that protects the diverse interests of all ethnic and racial groups. United States sanctions and Congress's anti-apartheid legislation does not promote this cooperation and conciliation and loses us leverage or influence with the South African government to pressure for change.

The Role of the ANC

What is the African National Congress the Reagan administration now supports? It is a coalition of opponents of apartheid who want to overthrow it by force, not negotiations. In 1955 the ANC and black and white groups joined together to issue the "Freedom Charter", a milestone in the history of South African opposition. The Freedom Charter went beyond the ANC's traditional demand for constitutional reforms and called for public ownership of "the mineral wealth ... the banks and monopoly industry", as well as a division of land among the toilers. The rhetoric and Marxism replaced the moderate and social democratic idiom. In 1960 the ANC was banned. In 1961 the ANC ended its peaceful struggle for change, established a guerrilla organization and declared war on white society. The movement dedicated itself to the overthrow of apartheid and capitalism by terrorism and murder.

The ANC by 1959 had become for all intents and purposes a front organization of the South African Communist Party (SACP). South African white liberals such as Colin Eglin and Donald Wood were refused membership in the ANC only white communists were admitted to the ANC until 1985, and communist cadres continue to operate within the framework of the ANC.

The SACP calls for a two-phase revolution. The first phase has established a coalition or front to seek a national democratic revolution. The second phase will produce a socialist revolution under SACP leadership and the introduction of a workers' state that can evolve into a communist state. This same process occurred with the fronts in Angola and Mozambique and is underway in Ethiopia.

The ANC is enmeshed in a complex network of pro-Soviet fronts. About half of the thirty members of the ANC National Executive

Committee are also SACP members. Yet the SACP itself has fewer than 200 members, although there may be many more SACP supporters in the ANC who are undercover, and certainly thousands of fellow travellers are ANC members. To illustrate, Moses Mabhida, who died in 1986, was General Secretary of the SACP as well as an ANC executive member and Vice-President of the South African Congress of Trade Unions (SACTU), a small, communist-dominated body. He also served as deputy member of the communist-dominated World Federation of Trade Unions (WFTU). Mark Williams-Shope, Secretary-General of SACTU, was a full member of the WFTU. Brian Bunting, a member of the South African Communist Party's International Organisation of Journalists (IOJ), is a Tass correspondent in London. Ruth Mompati, a leader of the ANC's women's section, was a member of the pro-Soviet Women's International Democratic Federation (WIDF). Josiah Jele, member of the ANC executive, worked for the secretariat of the Soviet-dominated World Peace Council (WPC). Oliver Reginald Tambo, President of the ANC, also headed the WPC as President-General. Vella Pillay, a member of the SACP, served as vice-chairman of the anti-apartheid movement in London.

In return for political and financial support from the Soviet bloc, the ANC-SACP alliance or front follows every twist and turn of Soviet policy. On most issues **Sechaba** (the organ of the ANC) or the **African Communist** (the organ of the SACP) in no way differ from **Pravda**.

The ANC sends out broadcasts through Zambian, Tanzanian, and

Angolan radio corporations. It attempts to maintain underground cells in South Africa and to mobilize mass opinion in the cities. The extent of ANC support in the cities is hard to assess, but a German research team found that only 21.7 percent of urban respondents expressed support for ANC leaders. Support probably has grown in recent years, at least among the young.

Early in 1984 the ANC had to rethink its strategy of national liberation after it apparently lost the use of all its privileged sanctuaries in adjacent countries. By this time, the ANC had been shut out of Mozambique, Swaziland, and Lesotho. Botswana and Zimbabwe never sanctioned military action against South Africa from their territories. In 1984 the South-West African People's Organization (SWAPO) lost the use of its bases in southern Angola because of a new agreement between Angola and South Africa. In all probability, South Africa's military successes will strengthen the Black Consciousness Movement, discourage militant Marxist-Leninist groups, and persuade the masses that military action or civil disobedience is at present futile.

Until the ANC leadership purges itself of SACP members, or at least controls them, and promises to negotiate and to protect minority rights, the U.S. should not support the ANC. There are plenty of black nationalist groups inside South Africa who may be willing to negotiate for peaceful change.

Consider the record of liberation fronts infiltrated by communists which came to power in Angola, Mozambique, and Ethiopia, not to mention Vietnam, South Yemen, Afghanistan, Cuba, and Nicaragua. All created communist states complete with gulags, secret police, terror, collectivization, confiscation, and civil war. Whites can hardly be blamed for refusing to deal with the ANC. The whites fear that the ANC and majority rule will lead to the whites being forced out and their property confiscated as in Angola and Mozambique. The ANC, even if it ejects or controls the SACP, also will have to mute its Marxists rhetoric and calls for guerrilla war if it expects the whites to share power with them.

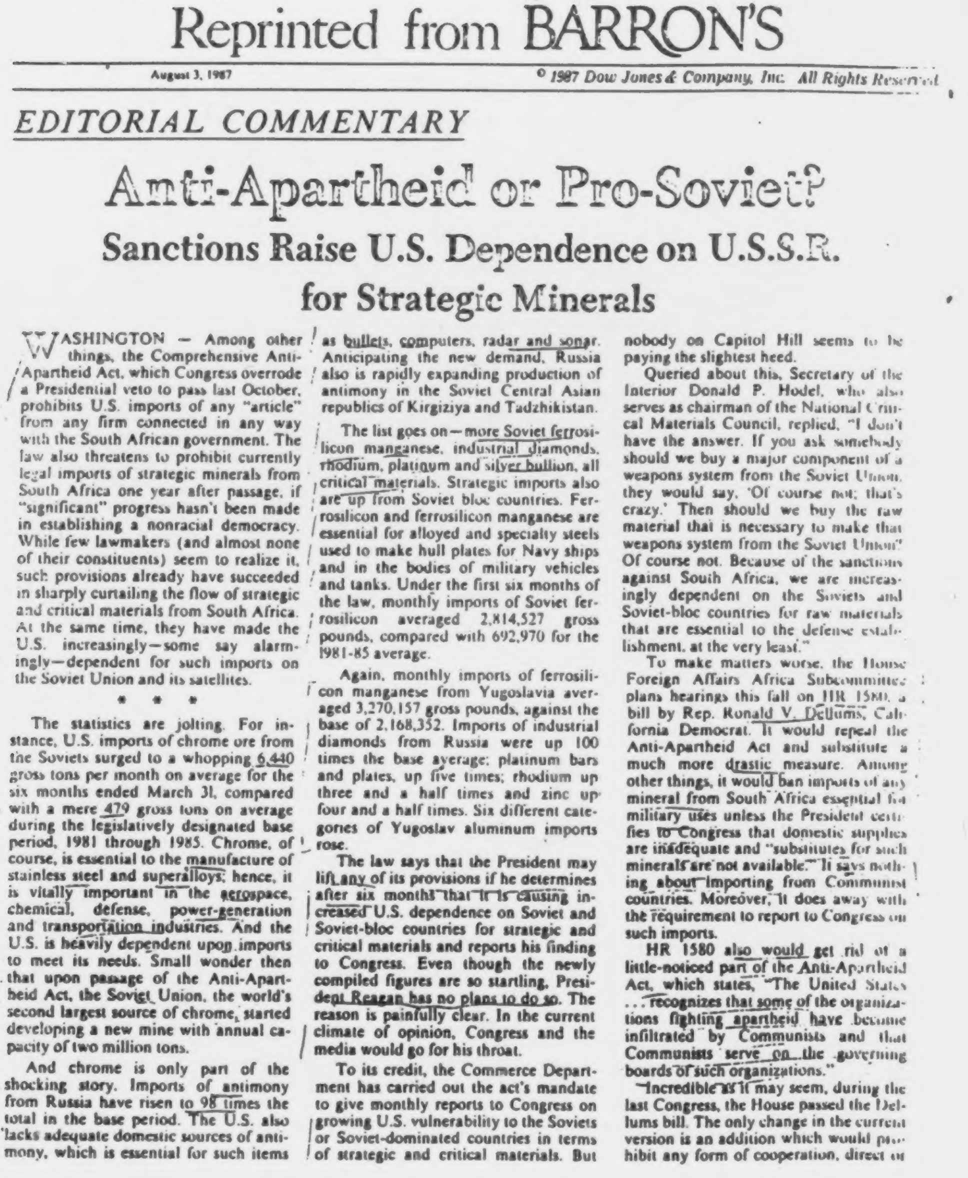
What about the SACP? The South African Communist Party, founded in 1921, is South Africa's oldest multiracial political organization and the oldest Marxist-Leninist party in Africa. The party advocates a "national democratic revolution", to be achieved through a broad coalition (or front) composed of the workers, the petty bourgeoisie, and the "national bourgeoisie." Victory is to be gained by an armed struggle. Once these objectives are accomplished the national democratic revolution will rapidly evolve into a socialistic revolution.

The SACP follows a rigidly pro-Soviet course and faithfully echoes every Soviet demand in world affairs. The party is, however, an army of officials without soldiers. SACP's leadership is dominated by whites; it works in exile and has developed an exile mentality. Its appeal in South Africa is mainly to radical intellectuals, especially those of British, Jewish, and Indian extraction.

The SACP compensates for its lack of numbers by its discipline, its infiltration of opposition groups, its extensive backing from the Soviet bloc, and its intellectual sophistication. The party reaches out to other African socialist and radical parties. Like the Spanish communists during the Spanish Civil War. the SACP has shown exceptional ability to mobilize support among men and women who have not the slightest inclination toward communism. This is the danger of the SACP's presence in the ANC. The naiveness of the ANC leadership seems to know no bounds; they put a communist, Joe Slovo, in charge of the military wing of the ANC!

At present the ANC cannot force the whites to accept majority rule. The nest blacks can hope for by change is a democratic franchise based on power sharing, proportional representation, joint veto, and coaliation-building. If this is not enough, the blacks will have to try seizing power by the bullet, not the ballot box. The whites will fight even harder and longer than did the Rhodesians (fifteen years), and it will be a bloody war with no guarantee that the blacks will win. Robert Mugabe admitted he did not win in the bush but at the ballot box. He came to power because he abandoned his Marxist rhetoric, agreed to protect white rights and property and to abide by a constitution. The ANC has done none of these things. Prudence should guide the State Department to demand such concessions before cooperating with the ANC. To modify Lenin, "All power to the moderates," but not the ANC.

APPENDIX



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EDITORIAL COMMENTARY

Anti-Apartheid or Pro-Soviet?

Sanctions Raise U.S. Dependence on U.S.S.R. for Strategic Minerals

WASHINGTON — Among other things, the Comprehensive Anti-Apartheid Act, which Congress overrode a Presidential veto to pass last October, prohibits U.S. imports of any "article" from any firm connected in any way with the South African government. The law also threatens to prohibit currently legal imports of strategic minerals from South Africa one year after passage, if "significant" progress hasn't been made in establishing a nonracial democracy. While few lawmakers (and almost none of their constituents) seem to realize it, such provisions already have succeeded in sharply curtailing the flow of strategic and critical materials from South Africa. At the same time, they have made the U.S. increasingly—some say alarmingly—dependent for such imports on the Soviet Union and its satellites.

* * *

The statistics are jolting. For instance, U.S. imports of chrome ore from the Soviets surged to a whopping 6,440 gross tons per month on average for the six months ended March 31, compared with a mere 479 gross tons on average during the legislatively designated base period, 1981 through 1985. Chrome, of course, is essential to the manufacture of stainless steel and superalloys; hence, it is vitally important in the aerospace, chemical, defense, power-generation and transportation industries. And the U.S. is heavily dependent upon imports to meet its needs. Small wonder then that upon passage of the Anti-Apartheid Act, the Soviet Union, the world's second largest source of chrome, started developing a new mine with annual capacity of two million tons.

And chrome is only part of the shocking story. Imports of antimony from Russia have risen to 98 times the total in the base period. The U.S. also lacks adequate domestic sources of antimony, which is essential for such items as bullets, computers, radar and sonar. Anticipating the new demand, Russia also is rapidly expanding production of antimony in the Soviet Central Asian republics of Kirgiziya and Tadzhikistan.

The list goes on—more Soviet ferrosilicon manganese, industrial diamonds, rhodium, platinum and silver bullion, all critical materials. Strategic imports also are up from Soviet bloc countries. Ferrosilicon and ferrosilicon manganese are essential for alloyed and specialty steels used to make hull plates for Navy ships and in the bodies of military vehicles and tanks. Under the first six months of the law, monthly imports of Soviet ferrosilicon averaged 2,814,527 gross pounds, compared with 692,970 for the 1981-85 average.

Again, monthly imports of ferrosilicon manganese from Yugoslavia averaged 3,270,157 gross pounds, against the base of 2,168,352. Imports of industrial diamonds from Russia were up 100 times the base average; platinum bars and plates, up five times; rhodium up three and a half times and zinc up four and a half times. Six different categories of Yugoslav aluminum imports rose.

The law says that the President may lift any of its provisions if he determines after six months that it is causing increased U.S. dependence on Soviet and Soviet-bloc countries for strategic and critical materials and reports his finding to Congress. Even though the newly compiled figures are so startling, President Reagan has no plans to do so. The reason is painfully clear. In the current climate of opinion, Congress and the media would go for his throat.

To its credit, the Commerce Department has carried out the act's mandate to give monthly reports to Congress on growing U.S. vulnerability to the Soviets or Soviet-dominated countries in terms of strategic and critical materials. But nobody on Capitol Hill seems to be paying the slightest heed.

Queried about this, Secretary of the Interior Donald P. Hodel, who also serves as chairman of the National Critical Materials Council, replied, "I don't have the answer. If you ask somebody should we buy a major component of a weapons system from the Soviet Union, they would say, 'Of course not; that's crazy.' Then should we buy the raw material that is necessary to make that weapons system from the Soviet Union? Of course not. Because of the sanctions against South Africa, we are increasingly dependent on the Soviets and Soviet-bloc countries for raw materials that are essential to the defense establishment, at the very least."

To make matters worse, the House Foreign Affairs Africa Subcommittee plans hearings this fall on HR 1580, a bill by Rep. Ronald V. Dellums, California Democrat. It would repeal the Anti-Apartheid Act and substitute a much more drastic measure. Among other things, it would ban imports of any mineral from South Africa essential for military uses unless the President certifies to Congress that domestic supplies are inadequate and "substitutes for such minerals are not available." It says nothing about importing from Communist countries. Moreover, it does away with the requirement to report to Congress on such imports.

HR 1580 also would get rid of a little-noticed part of the Anti-Apartheid Act, which states, "The United States . . . recognizes that some of the organizations fighting apartheid have become infiltrated by Communists and that Communists serve on the governing boards of such organizations."

Incredible as it may seem, during the last Congress, the House passed the Dellums bill. The only change in the current version is an addition which would prohibit any form of cooperation, direct or

Chairman **Gibbons**. Thank you. Mr. Crane.

Mr. **Crane**. Mr. Chairman, first, I want to thank all the witnesses for taking time out of their busy schedules to be here today.

Dr. Keyes, I certainly know your reputation, and have had a great deal of admiration for your willingness to speak out on what is a sensitive subject, and as a black man, to hear a refreshing discordant note. I know it takes inordinate courage, on your part, in this country. However, what you said in your testimony is what blacks told me in South Africa. One of the concerns I have is, if, through the imposition of the sanctions program—and we can document some of this—we are creating economic hardship, we are polarizing whites, and letting reactionary whites strengthen their hand in the Government, and, as some say, precipitating violence, which it is easy, as an arm-chair theorist across the ocean, to say is tolerable.

Precipitating violence. Does that not, as a scenario, conform to the historical determinist conviction that there is no way you can effect change except through precipitating violence?

Mr. **Keyes**. Well, I think, unfortunately, it does conform, at least to the tactical approach of those who subscribe to that historical determinism, which has in fact always been to oppose developments which would tend to reduce the polarization in the society, tend to reduce the likelihood of that kind of cataclysmic violence.

Since if change comes about by other means, it is less likely that power will devolve into the hands of the most radical elements in a society.

So that if change comes about in a way that actually helps to create, for instance, intermediate structures of power capable of resisting the power of any government, not just the apartheid Government, it makes it less likely that one will be able to come in and impose some kind of a dictatorship of the party on a society.

I think in the South African case, it is clear that the basis exists for a vibrant pluralism in the society, both in the black and white communities, and I think that is especially true in the black community, because despite a long history of oppression, and despite every effort the South African Government has made to destroy this possibility, blacks in South Africa have developed a proliferation of organizations, associations, and groupings, some of them religiously based, some of them not, through which they have tried to effect their own lives, changes in their own lives, and maintain the kind of spirit and solidarity that was necessary for survival under the rigors of the apartheid system.

I think the kind of approach that a lot of people would like to see is an approach that essentially destroys all of that, and that divides the society basically into two armed camps, with everybody in between deprived of a basis for participating in the political effort.

I think that the means to achieve that is the destruction of the economy, since it is that economy which basically allows for the existence of effective groupings outside of these sort of armed extremes of right and left.

Mr. **Crane**. One of the observations that struck me when I was in South Africa was, from white South Africans pointing out that their black problem is not our black problem. That the black problem in South Africa is more comparable to our Indian problem, and we have such a distinguished career of treating our Indians over the last several centuries in this country, that I thought that perhaps we ought to engage in a little self-examination, too.

Is that an unfair analogy?

Mr. **Keyes**. Well, given the numbers, Congressman, I would think that the white problem in South Africa is comparable to the Indian problem.

I guess I do not subscribe to what might be behind that. I think there is a qualitative difference in the situation. But as I see the qualitative difference, the difference is that in the United States, when the problem of slavery and the problem of civil rights came to a head, it came to a head in the context of an established democratic system based upon values that, in a way, contradicted both slavery and Jim Crow.

In South Africa, there is not an established democratic system that contradicts the practices that have been enforced against blacks over the decades. In fact, the system itself has created those things. So that is why I have tried to concentrate on the salient points in South Africa, which is that you are building a democratic system in the context of a system that does not reinforce those democratic values. That, of course, makes it all the more difficult.

The fact that a democratic forum has existed in the white community does allow one in a sense to see the formal possibility of extending that a little more easily, but I think that the difficult point is that, given the fact that the black population in South Africa is a majority, the relinquishment, the transformation, if you like—not relinquishment—the transformation of power that the white community has to face is much more difficult. But I think that gone about in the right way it is both inevitable and possible. Inevitable because, in a sense, the transformation of power that is necessary has to be real, not just on paper. But if a real transformation has taken place, then the white people of South Africa will have to accept it. As a matter of fact, they will see it as in their interest to accept it.

My argument has been—and that of a lot of people who look at the situation—that that kind of a transformation of power is taking place pretty much in the context of the modern economic sector in South Africa. That is where power, in a sense, is being created for blacks. It is not being created at the pace or perhaps in the intensity that one would like to see, and that is why I think policy ought to aim at taking advantage of that process, intensifying it, speeding it up, so that one can see the development of these power tools on the part of blacks with much greater effectiveness, and so that their use of those tools will be more effective.

I think that that will be the road, the broad road, if you like, to political transformation in the society. And it is happening, in a way, before our very eyes. But for some reason, we would rather discourse amongst ourselves about how we feel and how we look than actually work with the situation to intensify the enormous pressures and changes—not from outside but from inside South African society—that are moving the country in the direction of democracy. But there is nothing inevitable about that.

If we are not wise and prudent in our participation and support for that effort, it is not going to lead to democracy at all. It is going to lead to war and tyranny.

Mr. CRANE. Dr. Gann, I have a paper before me entitled "Sanctions: The Republic of South Africa," by Margaret Hunt and Chester Nagle. It was put out by Intel Research Corp. for the Journal of Defense and Diplomacy. I would like to review some of their conclusions and hear your assessment of their conclusions.

They say the sanctions policy of the international community has slowed reform by further polarizing the political forces in South Africa. Would you concur?

Mr. GANN. I would concur to some extent. It is really difficult to realize in this country that within a South African context, Botha ranks as a reformer. He is the Gorbachev of a decaying system of apartheid.

What has he accomplished? Legalization of black trade unions, the elimination of the industrial color bar, the ending of the so-called immorality legislation that forbade sexual links between the different races. His legislation accepted the permits of black urbanization. I might say the expenditure on black education has been vastly increased.

Now, Botha did not do that merely because of his own inherent benevolence. These were steps forced on Botha for internal economic reasons, profound, system, economic changes. I keep making the Freudian slip, "Gorbachev," because Gorbachev is in a very similar situation, for different reasons.

Now, what sanctions have done is they have strengthened not merely the conservative party and the ultra-nauts within the HNP; they have strengthened opposition within Botha's own Nationalist Party. These are people whom he needs. These people tell him, look, you have made reforms, you have been more of a reformist than any of your predecessors. Have you been rewarded? No, your liberalistic friends abroad, in fact, punish you. So the impetus for reform has slowed down really greatly, and I much deplore this.

Mr. CRANE. Another conclusion of their study was sanctions have increased the concentration of wealth in the hands of white South Africans, and they point out that in the 12 months immediately following sanctions 168 new millionaires, white millionaires were created in South Africa. Does that conform to your studies?

Mr. GANN. There is, of course, a new class of black millionaires who live in South Africa. It is extremely difficult to assess the effect of sanctions on major racial groups. Certainly, black unskilled and semiskilled are the most vulnerable within the economy. Anything that hits them hits them first. The people in managerial posts and highly skilled posts are the most invulnerable. They can resist longest, and they, of course, comprise—the largest number are whites, though, of course, they are no longer exclusively whites.

Mr. CRANE. I think their comment about the creation of new millionaires was focusing chiefly on the fire sales that were made available, and that there were white South Africans who were able to capitalize on buying valuable assets at a significant discount as a result of sanctions.

Let me ask you one more question, and then I want to conclude, Dr. Gann, with a question about a book you wrote. The study says, "As U.S. influence on the South African Government and the white community has dropped to almost nothing, U.S. influence on black South Africans has seen a corresponding increase."

Mr. **Gann**. Well, we see ourselves—when I say "we," I am speaking of the naturalized American—we see ourselves as the world's moral leader, the ultimate Moses who comes down from Mount Sinai. Foreigners do not see ourselves like that. They do not accept our claim to moral leadership. In fact, they often suspect us of very devious motives which do not even exist.

We should be a bit more careful when we talk from the high moral ground, and remember a point by French Prime Minister Clemenceau after World War I on President Wilson's 14 points: "Fourteen? Ten were enough for the Almighty Himself." [Laughter.]

Mr. **Crane**. Dr. Gann, one final question. You wrote a book in 1981 entitled, "Why South Africa Will Survive." Can you condense to a couple of minutes why South Africa will survive?

Mr. **Gann**. My book was written at a time when everybody and his brother was predicting the inevitable South African revolution. And when you will look back at the literature on South Africa written during the last 40 years, you will see scores and scores of works and articles and tomes and reports that will repeat the same word images: the powder barrel about to explode; the clock that eternally stands at 5 minutes to 12; the steam boiler that is ready to blow up.

Now, these are not analyses. These are word pictures. South Africa is not in a revolutionary situation, the kind that existed, say, in Russia in 1917. And if I could conjure up the spirit of Comrade Lenin, I am certain he would confirm it; he would conform to my views.

When you look at the correlation of forces in terms of military power, of industrial power, they simply favor the incumbent government. I went into some details in my accompanying paper, and such guerrilla warfare as has been waged by the ANC has simply not had any appreciable effect on South Africa's economic production.

Now, I am not saying that there never will be changes. In fact, I predicted changes. Though I do not think that the change will be brought about by a successful revolution on the part of the ANC. And I am willing to bet a lot of money, several thousand dollars on that, but I want the bet to be done before a notary public.

Mr. **Crane**. Thank you, Dr. Gann.

Mr. Wilson, I have before me some figures that suggest that a recent Bureau of Mines study estimates that the provision which calls for the ban on the importation of most strategic metals will cost our economy approximately $1.85 billion a year. Is that consistent with figures you have?

Mr. **Wilson**. Yes, sir. That analysis was done for the State Department, and the report was made public only a couple of weeks ago, I suppose. It is $1.85 billion the first year, and there are estimates that it could be significantly higher in the outyears.

When the Secretary of Interior and the chairman of my council was briefed on this, he decided that further analysis needed to be done because of the multiplier effects. Some within the Bureau of Mines estimate that we are talking a multiplier figure of three or four times that amount in the first few years. So several billion dollars at stake over the first year, probably.

Mr. **Crane**. Wharton Econometric did a study that indicated that our coal exports in the years 1986 and 1987, as a result of the embargo, cost us. I mean, we lost in coal exports $250 million just in that timeframe. They estimated we lost 3,000 to 7,000 jobs as a direct consequence of the embargo.

Mr. **Wilson**. I have heard the same figures.

Mr. **Crane**. And that the sanctions will increase our dependence on the Soviet Union for essential metals, such as platinum, rhodium, and palladium, by approximately 25 percent?

Mr. **Wilson**. Yes, sir. In some cases, the percentage increase over the base numbers is reaching 5,000 percent in some cases. For some of these metals, though, it was a rather thin market. So we are seeing doublings and triplings of small amounts of imports. The disturbing thing, though, is that it is a trend, and for some of the metals, it seems to be growing in time.

You can easily say the Soviet Union is clearly a major beneficiary, at least with regard to metals, as a result of the 1986 act. We have done no analysis on how they would benefit from the latest piece of legislation.

Mr. **Crane**. My understanding is these minerals in question are essential components of the catalytic converter, and that the Japanese auto industry and U.S. auto industry have an absolute dependence on the minerals.

If we lose access to those minerals via South Africa, is it the only alternative the Soviet Union or the only meaningful alternative?

Mr. **Wilson**. For some of the platinum group metals, the only alternative is the Soviet Union. For some of the other platinum group metals, there is simply no alternative to southern Africa. Because of the legislation in the United States locking up hundreds of millions of acres of wilderness out West, we cannot get into certain areas to even look. There is some speculation that in Alaska there may be some of these metals, but the environmental community necessarily becomes quite disturbed when you say that we will start looking in national parks or wilderness areas.

One analysis has been done that I have seen that shows if there was a cutoff, there would probably be a suspension of the Clean Air Act immediately because the requirement for catalytic converters on automobiles would have to be suspended.

The interesting thing is—and I do not know how you put all of this in context in Congress, but there is a huge economic effect. You have major U.S. industries, any industry that uses steel products could be adversely affected, whether it is the aircraft industry or the automotive industry, the communications industry. These metals go into the day-to-day life of most Americans in electronic machinery. For some platinum group metals, if there was a cutoff, you are not going to distill gasoline because it is a catalyst in the distilling process. So there could be some gasoline shortages that crop up within the first 18 months.

Mr. **Crane**. I thank you again, all of you, for your testimony. Thank you, Mr. Chairman.

Chairman **Gibbons**. That concludes the hearing for today. Thank you very much.

[Whereupon, at 4:02 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

June 11, 1988

Rep. Dan Rostenkowski
2148 North Damen Avenue
Chicago, IL 60647

Dear Rep. Rostenkowski:

I urge you to vote for H.R. 1580, the Dellums Comprehensive Sanctions bill, with no weakening amendments. The United States Congress must take a strong stand against apartheid, and end all trade with South Africa.

The labor movement supports H.R. 1580 without amendment in solidarity with the trade unionists of South Africa. We demand comprehensive sanctions against South Africa now!

Sincerely,

D Gaddis

Union: AFSCME LOCAL 2000

Office held: (CHIEF STEWARD)

Address: 1604 Moore AVE

City: Joliet IL 60433

[IDENTICAL LETTERS WERE RECEIVED FROM 33 ADDITIONAL MEMBERS OF AFSCME LOCAL 2000.]

Submitted to
Subcommittee on Trade #21
Committee on Ways and Means
U.S. House of Representatives

STATEMENT BY
JACK SHEINKMAN, PRESIDENT
AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO
IN SUPPORT OF
H.R. 1580 COMPREHENSIVE SANCTIONS BILL
June 9, 1988

On behalf of the members of the Amalgamated Clothing and Textile Workers Union Iwould like to commend the Committee for conducting these hearings and express our appreciation to the members of the Committee for the opportunity to submit this statement in support of the Comprehensive Sanctions Bill.

We strongly support H.R. 1580 and urge its early enactment. Only comprehensive and effective sanctions can cut off the oil, high technology and foreign exchange on which the South African government depends and so force it to abandon its system of racial domination.

South Africa has put into place one of the most repressive political systems of modern time. Racism in the form of apartheid or separate development regulates all political, social, and economic relationships. On February 24, 1988, in order to put an end to all non-violent resistance to this system, the South African government effectively banned 17 organizations opposed to apartheid. Not one of these outlawed organizations has ever been charged with violence.

Simultaneously, the government imposed crippling restrictions on South Africa's largest labor federation, the Congress of South African Trade Unions. In addition, one bill is now pending in the South African Parliament that would obliterate the most important trade union rights. If passed the bill will wipe out any legal arena for union activities in South Africa.

In the face of ever increasing oppression, the Reagan Administration has refused to fully enforce the provisions of the 1986 sanctions laws. The textile ban, for instance, has been flouted and South African textile products, including wearing apparel valued in the millions of dollars, entered this country in 1987 and 1988.

The Comprehensive Sanctions Bill would shut down the loopholes left open in the 1986 legislation. It would impose a total trade embargo on South African goods and require complete withdrawal of U.S. corporations doing business in South Africa. U.S. corporations would no longer be able to get around sanctions through licensing agreements and granting distribution franchises to South African-owned corporations.

The Comprehensive Sanctions Bill now includes stiff penalties against multi-national as well as U.S.-based corporations providing oil or petroleum products to South Africa by restricting their access to American domestic markets.

Of particular importance to trade unionists is the provision of the proposed legislation which specifies that corporations must negotiate the terms of their withdrawal with their South African workforce, a demand made repeatedly by the Congress of South African Trade Unions. Furthermore Comprehensive Sanctions Act requires that corporations must give their workers ninety days notice of their intention to close their plant and leave the country--a right, by the way, not yet enjoyed by U.S. workers.

This legislation is however, far from perfect. The provision that wholly black-owned subsidiaries in South Africa would be exempted from the sanctions creates the potential for corporations and the South African government to circumvent the law by manipulating these companies. A ban on U.S. aid to any organization affiliated with the African National Congress or the South West African People's Organization perpetuates the South African government's own"guilt by association" campaign. We urge that these provisions be eliminated from H.R. 1580.

Our brothers and sisters in South Africa's courageous trade union movement have repeatedly urged us to demand severe and comprehensive sanctions against the South African government. That government has now effectively criminalized all non-violent avenues of opposition to its apartheid policies. Speaking in their behalf, we urge you to enact the Comprehensive Sanctions Bill.

AMERFORD INTERNATIONAL CORPORATION

2707 COYLE AVENUE, ELK GROVE VILLAGE, ILLINOIS 60007 (312) 593-3377
TELEX: 287427
MAILING ADDRESS:
P.O. BOX 66166, A.M.F.
CHICAGO, ILLINOIS 60666

June 13th, 1988

The Honorable Dan Rostenkowski
U.S. House of Representatives
Washington, D.C. 20515

Sir:

I learned from the press, that within the next few days H.R. 1580 will come out of committee, and be voted on by the U.S. House of Representatives. **We are against apartheid**, and feel that the U.S. Government, the U.S. business community, and the U.S. people should do all in their power to help all SOUTH AFRICANS to live in dignity.

However, passage of the Bill, in the opinion of the writer who has made numerous visits to SOUTH AFRICA, will not accomplish that goal.

AMERFORD INTERNATIONAL CORPORATION is a multi-national company with 35 Offices in the UNITED STATES, and employs a total of 500 people in the UNITED STATES, the UNITED KINGDOM, FRANCE, THE NETHERLANDS, ISRAEL, SOUTH AFRICA and SINGAPORE. Passage of this Bill in its present form would not only hurt our Company financially, but possibly result in the lay-off of jobs in the UNITED STATES because a fair amount of business handled by us is destined to SOUTH AFRICA.

In SOUTH AFRICA, where we employ approximately 20 people, approximately half of our staff is Black or Indian. Should we be forced to close the Office (and there would be no need to maintain the Office if no trade between the UNITED STATES and SOUTH AFRICA is authorized), all of our staff would have to look elsewhere for jobs. This may not be difficult for White employees, but certainly, our non-White staff would have difficulties finding jobs; especially at the salaries that they are earning at AMERFORD. Passage of the proposed Bill would hurt most those that it is trying to help.

Congressman Rostenkowski, may we ask you to keep this in mind when voting on this Bill.

Very truly yours,
AMERFORD INTERNATIONAL CORPORATION

Walter H. Marx
President

WHM:jt

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James D. Woods
President and
Chief Executive Officer

BAKER
HUGHES

June 10, 1988

Chairman Dan Rostenkowski
c/o Robert G. Leonard
Chief Tax Counsel
Committee on Ways & Means
House Longworth Building
Washington, DC 20515-6348

Dear Chairman Rostenkowski:

I wish to express my concern and dismay over the provisions of HR1580, known as the Dellum/Wolpe Bill. I am convinced that the provisions of the Bill are the wrong solutions for those who wish to end Apartheid and aid the blacks in South Africa.

My Company has been dealing with South Africa for many years and we have seen some positive changes, however, we agree these changes have been inadequate to date. As Signatories to the Statement of Principles, we are proud of our record of helping all peoples in South Africa.

The critical issue here is that the Signatories provide the highest standard of equality in South Africa. This standard sets an example for all other participants in South Africa. More importantly, the standard set by the American companies is the principle lever, other than work stoppage, currently being used by the black unionist movement in South Africa, to effect change. Divestiture will remove this standard and will set back the black unionist movement dramatically. We believe that the black unionist movement in South Africa is the primary way to give power to the blacks with the eventual result of the elimination of Apartheid.

HR1580 will harm the blacks in South Africa. It is the wrong solution. Please vote against this measure.

Sincerely,

J. D. Woods

JDW/jm

Baker Hughes Incorporated
3900 Essex Lane, Suite 1200, P.O. Box 4740, Houston, Texas 77210-4740, 713/439-8605

[Similar letters were also submitted by the following:]

Baker Hughes Mining Equipment:
John F. Schaefer, President
R.J. Saunders, Vice President-Finance

Baker Hughes Mining Tools, Inc.:
John A. Alich, Jr., President
John Stanley, Vice President-Engineering
Robert W. Thomas, Vice President-Marketing

Baker Mine Service:
  Christopher F. Yunkun, President
  Darryl F. Mills, Vice President-Finance
  Richard K. Vesely, Manager-Human Resources
  Michael A. Hennessey, Manager-Parts Distribution

BGA International, Stephen T. Harcrow, President

EIMCO Mining Machinery International:
  Carl W. Schrock, President
  Michael W. Garner, Vice President and Chief Financial Officer

EIMCO Mining Machinery International-Coal Machinery Division:
  Larry G. Marteney, President
  Robert E. Cox, Vice President-Sales and Marketing
  Ronald W. Keen, Vice President-Engineering
  Kenton R. Colvin, Vice President-Manufacturing
  Dennis R. Hardman, Controller and Chief Financial Officer

EIMCO Process Equipment Company, Raymond H. Aldrich, President

Chas. S. Lewis & Co., Inc.:
  Robert G. Hanssen
  William M. Stuart

Ramsey Technology Inc., David W. Schoelch, Vice President and Chief Financial Officer

WEMCO, James E. Furman, President

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DONALD F. CHESTER
Senior Vice President,
International

June 10, 1988

Chairman Dan Rostenkowski
Ways and Means Committee
C/O Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, D.C. 20515-6348

Dear Chairman Rostenkowski:

We are writing to ask that the Committee on Ways and Means review the Dellums bill, H.R. 1580, keeping in mind the serious repercussions which would take place should this bill be passed.

Bandag, Incorporated is vehemently opposed to the Dellums bill. It is grossly unfair that our Congress imposes sanctions against American business in an attempt to force political change in South Africa.

As you know, the Comprehensive Anti-Apartheid Act has been law for more than a year, and it should be clear that it has had no positive impact upon the government of South Africa. In fact, the losers in this political game have been American business, the blacks of South Africa, and American influence in South African politics. For example, in 1984 American agricultural exports to South Africa were almost $500 million, which declined to $55 million in 1987. Iowa exports of feed grain were next to nothing in 1987 from a high of $75 million in 1984. American exports of coal have also declined $275 million.

We have taken the position that our presence--and that of other American multinational corporations--has led the way for economic and social development of the disadvantaged in this troubled country. The progress that has been made in breaking down the Apartheid system--and there has been significant change--is due, in large measure, to the opponents of the system who have stayed and worked for change. At the very least, the lives of those we touch have been made better because we have remained.

There will be a new South Africa some day in which, hopefully, all peoples of that nation will participate in a political and economic arrangement that will be beneficial to all. I would hope the United States, and all it has to offer, will be a part of the transition and a participant in the future society.

Therefore, we would appreciate the Committee on Ways and Means taking a serious look at the Dellums bill with these facts in mind; realizing the detrimental effects its passage would have, first and foremost, upon the blacks of South Africa and also upon American business.

Sincerely,

Donald F. Chester

[BY PERMISSION OF THE CHAIRMAN:]

ASOMA
Associated Metals & Minerals Corporation
3 North Corporate Park Drive
White Plains, New York 10604
914/251-5400

June 7, 1988

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade #21
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

My colleague, Victor Shames, and I are South African citizens and are resident aliens of the United States of America. We both live in Connecticut and work for a New York-based corporation.

We, as many South Africans in a similar situation, are extremely concerned at the scope of the proposed sanctions against South Africa currently being discussed.

If enacted in its present form, all U.S. persons that have emigrated from South Africa will be placed in a veritable "Catch 22" situation, as the provisions of the proposed bill conflict totally with South African exchange control regulations. While other "U.S. persons" holding South African investments can disinvest and remit the proceeds from South Africa, the assets of South African emigrants are "blocked" by South African exchange control regulations.

The purpose of this letter is to inform you of the grave situation we as individuals face if the bill goes through in its proposed form. We sincerely trust that cognizance will be taken of this situation and that some form of exemption will apply to those U.S. persons who are unable to remit proceeds of their disinvestments from South Africa.

Thanking you,

Yours sincerely,

Colin Benjamin

CB:af
1CB 6-2

BP America, Inc.
1776 I Street, N.W.
Suite 1000
Washington, DC 20006
202 785 4888

John C. Gore
Vice President
International Affairs

BP AMERICA

June 10, 1988

The Honorable Dan Rostenkowski, Chairman
House Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Rostenkowski:

We are writing to express our strong opposition to H.R. 1580, The Anti-Apartheid Act Amendments of 1988, which is currently being considered by the Ways and Means Committee. BP America is one of the major producers of energy and natural resources in the U.S. Our parent, The British Petroleum Company p.l.c., also has considerable investments in South Africa. In BP America's view, H.R. 1580 is a misguided attempt to force U.S. and non-U.S. corporations to abandon their investments in South Africa in the hope that their departure would pressure the S.A. government to eliminate apartheid. Rather than bring about political change in South Africa, H.R. 1580 would result in significant negative domestic consequences: loss of U.S. jobs, loss of Federal revenue, potential loss of future energy supplies, possible retaliation by important U.S. trading partners, and a reduction or cessation of imports of strategic minerals from South Africa.

As a major U.S. energy producer, BP America is particularly concerned about Section 3 of H.R. 1580, the so-called Wise amendment. Section 3 would prohibit any foreign person who holds investments in South Africa or who exports crude oil or refined petroleum products to South Africa from obtaining any new U.S. oil, gas or coal leases. This would affect primarily three companies: Shell, BP and Total. In the haste in which the sanctions legislation has been considered by other House committees, important consequences resulting from the enactment of Section 3 of H.R. 1580 have been overlooked, specifically:

1. Section 3 would be ineffective as a weapon in the battle against aparthied. The idea that disinvestment by Shell, BP and Total will somehow bring about a more just and equitable society in South Africa is unsupportable. What would happen if these companies were to disinvest? Their assets would remain, the buildings, tanks, pipes, mines, etc., but they would be owned and operated by someone else, almost certainly a white South African enterprise. The employees, mostly black, would also remain, but they would no longer benefit from the influence of employment by corporations who are also forces for social change within South Africa.

2. Section 3 could result in a loss of investment in U.S. energy resources at a time when dependence on foreign imports is rising. The Wise amendment does not guarantee that foreign-based energy companies will dispose of their investments in South Africa. Instead, these companies may choose to forego new, high-risk, expensive investments in U.S. domestic energy development. For example, under Section 3 the decision to bid in an upcoming OCS lease sale, to invest millions of dollars in an exploratory well in a frontier area such as Alaska, or to develop coal reserves on Federal lands would also involve the costs of abandoning millions of dollars in investment and thousands of employees in South Africa. Given such a choice, a foreign-owned company might well chose to invest its dollars and expertise elsewhere. Section 3 of H.R. 1580 could remove some of the most significant players at a time when the search for new domestic energy sources in the U.S. is more critical than ever.

3. The discriminatory nature of Section 3 would almost certainly invite retaliation by U.S. trading partners. The North Sea is one of the most productive oil prospects outside of OPEC. By singling out two major U.K.-based corporations for sanctions, Section 3 threatens the continued participation of U.S. oil companies in the U.K. sector of the North Sea. The U.K.'s Continental Shelf Act of 1964 affords the Secretary of State for Energy discretion in the awarding of any new exploration or production licenses (leases). Article 38 of the U.K. licensing regulations requires that "In considering licence applications from British subsidiaries of foreign corporations, account is taken of the extent to which U.K.-owned companies are afforded equitable treatment in applying for leases in those corporations' countries." By denying reciprocity to U.K. firms, enactment of Section 3 would result in U.S. energy companies being excluded from future leases in the U.K. sector of the North Sea.

4. Section 3 could reduce or cut off the supply of certain strategic minerals vital to the U.S. economy and national security. Corporations targeted by the Wise amendment are engaged in other activities besides the oil, gas, and coal business in South Africa. They are major producers of strategic materials such as titanium and zircon which require large investments of capital and technology and which are available from only a very limited number of sources worldwide. Section 3 of the proposed sanctions legislation would require these companies to divest or close down these strategic mineral operations in South Africa in order to be eligible for new oil, gas or coal leases in the U.S. This is because Section 3 goes far beyond prohibiting non-U.S. companies from engaging in the oil, gas and coal business in South Africa: it prohibits any investment in South Africa as a precondition to participating in the future development of important energy resources on Federal lands.

Although the focus of this letter has been primarily on Section 3 of the proposed legislation, the problems it raises are only symptomatic of the fundamental flaws in H.R. 1580. If there is one lesson that should have been learned from the 1986 sanctions law, it is that sanctions are not effective in forcing political reforms in South Africa. If anything, the reaction to the 1986 sanctions legislation has been a hardening of attitudes toward reform in South Africa. The new sanctions proposed in H.R. 1580 will do nothing to help those of us in South Africa who are working to end apartheid. What they will do is impose unnecessary economic penalties on U.S. and foreign corporations, on the U.S. government, and on U.S. citizens.

We urge you and your Committee to consider carefully the economic and national security implications of H.R. 1580. We urge you to oppose its enactment.

Sincerely,

John Gore

John C. Gore
Vice President
International Affairs

**BUTTERICK
COMPANY, INC.**

WILLIAM A. FISCHER
Vice President, Administration
& Secretary

June 9, 1988

Chairman Dan Rostenkowski
House Ways and Means Committee
c/o Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, DC 20515-6348

Dear Sir:

The Butterick Company, Inc. would like to go on record as being opposed to the Dellums bill, H.R. 1580.

Sincerely,

William A. Fischer
William A. Fischer

161 AVENUE OF THE AMERICAS NEW YORK, N.Y. 10013 212 620-2500

CBI

CBI Industries, Inc.

W.A. Pogue
Chairman and President

800 Jorie Boulevard
Oak Brook, Illinois 60522-7001

312 572 7330

June 10, 1988

The Honorable Dan Rostenkowski
Chairman, Ways and Means Committee
U. S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D. C. 20515-6348

Re: HR 1580 - Proposed Sanctions Against South Africa

Dear Chairman Rostenkowski:

I am writing to record our oppositon to HR 1580, more commonly referred to as the Dellum's Bill, which will require complete disinvestment by U.S. concerns from South Africa and impose a total embargo on U.S. trade with that country. CBI is one of the many U.S. companies who has a subsidiary doing business in South Africa in the belief that our presence is a strong force for social change. Sanctions imposed on South Africa under the Comprehensive Anti-apartheid Act of 1986 have not improved the position of the non-white majority or hastened the demise of the apartheid system. Conversely, these past U.S. sanctions have adversely impacted both black and white South Africans and the economic interest of U.S. companies.

We believe that the continued presence of companies, such as CBI's subsidiary, is an important force for black economic and political empowerment which, in the last analysis, is the best hope for bringing the apartheid system to an early end.

We are encouraged by your interest in this legislation and trust that you will agree that HR 1580 represents an emotional response, born of the Congress' impatience with the pace of progress in South Africa on this issue, but not a solution to the injustices of the apartheid system.

Very truly yours,

Bill Pogue

William A. Pogue

Chevron
Chevron U.S.A. Inc.
1700 K Street, N.W., Washington, DC 20006

Frank W. Bradley
Vice-President

June 9, 1988

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

Chevron wishes to register its opposition to H.R. 1580, the Dellums-Wolpe bill that would impose disinvestment from South Africa on U.S. companies. No one debates the imperative of ending apartheid in South Africa, what is at issue is the best means by which to foster multiracial participation in the governance of that country.

H.R. 1580 would hope to coerce the South African Government into dismantling its hated system of racial discrimination by increasing the sanctions passed by the U.S. Congress in 1986 -- sanctions which have already had the following dubious results:

(i) 25,000 black South Africans have lost their jobs, in a country without a welfare net for non-whites.

(ii) Japan has replaced the U.S. as South Africa's principal trading partner.

(iii) U.S. coal exporters have lost $600 million in sales and laid off perhaps as many as 5,000 U.S. miners.

Rather than increasing sanctions that will not achieve its stated goal, we believe the U.S. should put its full weight behind the positive efforts of U.S. companies to empower black South Africans to take their rightful place in their society.

As you will note from the attached brochure, our affiliate, Caltex, has been very active in South Africa in stimulating the economic and educational advance of the non-white community. We are understandably proud of the Caltex record, but we are also aware that the contributions of Caltex and its fellow U.S. companies, even though they average 12% of payroll costs, are dwarfed by the dimensions of the problem they seek to solve.

Caltex and its fellow Sullivan Code Signatories have been working this problem longer than Congressman Dellums or Congressman Wolpe. We believe our work outproduces sanctions, real or projected, and we ask that we be allowed to remain to complete our contribution to the creation of an equitable multiracial society in South Africa.

We would appreciate your showing this letter to Congressman Rostenkowski for his consideration in the light of Congressman Gibbon's Trade Subcommittee hearing on H.R. 1580. We would also appreciate your making the brochure available to Members of the Committee.

Sincerely,

F. W. BRADLEY

RWL:djr/048

Attachment

[BECAUSE OF THE SIZE OF THE ATTACHED BROCHURE, IT IS BEING RETAINED IN THE COMMITTEE FILES AND IS NOT BEING PRINTED.]

COOPER INDUSTRIES
FLOW CONTROL

June 14, 1988

The Honorable Dan Rostenkowski
c/o Robert G. Leonard
Chief Tax Counsel
1102 Longworth HOB
Washington, D.C. 20515-6348

Dear Representative Rostenkowski:

Recently, the House Foreign Affairs Committee approved a bill providing for comprehensive sanctions against companies doing business in South Africa. Two provisions in the bill are of particular concern:

1. Section 3 would prohibit the furnishing of any oilfield equipment and services in response to purchase orders dated after April 20, 1988.
2. Section 3 would also prohibit the Secretary of the Interior from issuing any leases for coal, oil, gas or geothermal steam to any U.S. company which is "controlled" by any foreign person who holds any investment in South Africa.

Apartheid is wrong in every respect. However, denying U.S. oilfield products and services to South Africa will only serve to give foreign companies another market and it will not impact apartheid.

As an employer in the manufacturing business, I urge you to strike Section 3 from H.R. 1580 when it comes up for a vote before the full House. This is a priority issue for my company and I appreciate any efforts you can direct toward having Section 3 stricken from H.R. 1580.

Sincerely,

Charles H. Hanson
President

CHH/jt

P.O. Box 2117
Houston, Texas 77252-2117
(713) 499-8511 Telex 166282

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June 16, 1988

The Honorable Dan Rostenkowski
2111 Rayburn House Office Building
Washington, D.C. 20515-1308

SUBJECT: Anti-Apartheid Amendments of
H.R. 1580, Sec. 3

Dear Congressman Rostenkowski:

It is our understanding that the House Foreign Affairs Committee has approved a bill providing for comprehensive sanctions against companies doing business in South Africa.

As a major manufacturer of oilfield equipment, we feel that Sec. 3, which prohibits the furnishing of any oilfield equipment service, is unfair to U.S. producers. It will only serve to give foreign manufacturers another market and it will not impact apartheid.

We, therefore, urge you and your colleagues to vote (no) on Sec. 3 when this bill goes before the full House.

Thank you for your support in our behalf.

Sincerely,

Steven M. Krivacek
Director, Employee Relations

SMK:cg

1800 Gardner Expressway
Quincy, Illinois 62305-4024
Phone (217) 222-5400 Telex 404332

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June 9, 1988

Robert J. Leonard, Esquire
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102, Longworth HOB
Washington, D.C. 20515

Dear Mr. Leonard:

Our company has been informed that the House Ways and Means Committee will be debating the draft Anti-Apartheid Act Amendments of 1988, H.R. 1580, known as Dellums Bill. We decided to write this letter to you to express our vehement opposition to this Bill.

Our company abhors the apartheid system of government and recognizes a need for change in South Africa. We are proud that we are part of that change now occurring in that country.

We have a subsidiary in South Africa, Crown Cork Company S.A. (Pty) Ltd., which has existed for the last 50 years. Together with other American companies, we are part of a large organization originally founded by Reverend Sullivan whose purpose is to provide equal wages and equal working conditions and opportunities for all our employees, black and white. We are actively pursuing and implementing a program of promoting social and political advancement of our black employees and their families. We are proud of our accomplishments.

We have taken a poll of all our South African employees, black and white, asking them whether we should stay and operate in their country. Without exception, all our employees want us to stay. The withdrawal of our company would lead to losing their jobs and an end to all the programs initiated by our company for our black employees, their families and surrounding communities, such as educational scholarships and loans, building and housing loans,legal clinics, construction of libraries and day care centers. Our black employees particularly want our company to stay in South Africa and to continue these programs. Thus, the expressed desires and wishes of our black employees are in total opposition to the political goals of the proponents of the Dellums Bill.

Our South African subsidiary is very important in our overall business activities. Our sales are entirely in the civilian sector. Our company is profitable. The dividends transferred every year to the United States significantly contribute to our profits. Needless to say, they also contribute to improvement of the balance of payments of the United States.

We have already been unfairly penalized through the changes in the tax law dealing with the treatment of South African income. We feel that the enactment of the Dellums Bill will impose ultimate unreasonable and unjustified burdens on our company. If this draft Bill would be enacted, we will be forced to sell our South African company under extremely unfavorable business conditions amounting to the taking by legal edicts of our government of our property without due process of law.

We have resisted for many years the pressures of various groups in this country to divest of our operation. In 1987, a resolution was made to this effect at our Annual Shareholders Meeting. It was resoundingly defeated by an overwhelming 90% majority of our shareholders, who also want us to stay and continue to operate in South Africa. In 1988, a similar resolution was again overwhelmingly defeated by an even higher percentage of 94% of our voting stockholders

We strongly believe that the divestment of our interests in South Africa, which may be required if the Dellums Bill is enacted, will harm not only our financial condition and the economic interests of our black employees, but shall also hurt the financial interests of the United States.

For all these reasons, we strongly urge that the Dellums Bill be rejected by the House Ways and Means Committee and the U.S. Congress.

Sincerely yours,

Richard L. Krzyzanowski
Vice President

RLK:kf

28 Taxco Court
Simi Valley, CA 93065
June 16, 1988

The Hon. Dan Rostenkowski
U. S. House of Representatives
Washington, D.C. 20515

Dear Representative Rostenkowski:

The House of Representatives has before it legislation aimed at prohibiting investment by citizens of the United States in South African companies (Section 301 of H.R. 1580). Specifically, this legislation would require all United States citizens to sell their South African shares yet would prohibit any other citizen from purchasing the shares. To whom could we sell our shares? And at what price? Does the House of Representatives hate United States citizens as well as South Africa?

Few Americans support the system of apartheid, but it remains unclear that restricting Americans´ freedom to make investments in South Africa will benefit anyone. For example:

* South Africa is our most reliable ally in Africa. The proposed legislation may destroy this relationship.

* South Africa and Russia are the major producers of several rare metals essential to United States industry and military. We must not be dependent on Russia for these materials.

* The intention is to destabilize South Africa. If successful, the blacks will be hurt most of all.

* South Africa is reducing apartheid and gradually giving blacks more voice in government. This process is inexorable and will not be stopped in any event. When the process is rushed as it has been in other African nations, it leads to civil war and tyranny.

* Congress usually bungles when it tries to solve internal problems of a country half a world away. Congress should devote its energy to the many urgent problems in the United States.

* The legislation will have an adverse effect on United States investors. The legislation is objectionable since it causes economic hardship for individual investors and it has no economic advantage.

Please oppose this ill-conceived and self-defeating legislation.

Sincerely,

J. L. Dautremont, Jr. Delores A. Dautremont

Mr. & Mrs. J.L. Dautremont, Jr.

donaldson

Donaldson Company Inc.
1400 West 94th Street
P.O. Box 1299
Minneapolis, Minnesota 55440
612/887-3008

WILLIAM A. HODDER
Chairman

June 10, 1988

The Honorable Dan Rostenkowski
Chairman, Ways and Means Committee
House of Representatives
c/o Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, DC 20515-6348

Dear Mr. Rostenkowski:

Donaldson Company is opposed to the legislation included in the Dellums Bill, H.R. 1580. It is our position that the best interests of the Blacks in South Africa are served by American companies remaining in South Africa working for social justice through peaceful change rather than the disinvestment and sanctions proposed by the Dellums Bill.

During the past decade, U.S. companies have devoted a significant portion of their operating budgets in South Africa to the improvement of the conditions for Blacks including education, housing, training, and legal assistance. According to the Industry Support Group, these expenditures have exceeded $230 million in the past eight years alone. In addition to the financial commitment made to the advancement of Blacks, U.S. companies have, and continue to call for genuine power-sharing and full citizenship rights for all of South Africa's people including the end to all statutory race discrimination.

We believe that disinvestment and sanctions will cause severe hardships to the very people which American companies have been trying to help. We believe that the majority of Blacks in South Africa do not support sanctions if they will result in job losses (which we believe they will). This is based on a number of opinion polls held among Black South Africans in South Africa since 1984. Disinvestment would eliminate the financial and moral commitment that U.S. companies have made for the advancement of Blacks. American companies would be forced to either liquidate their operations or sell to South African or foreign businesses which have neither the financial nor moral commitment to the provisions contained in the Sullivan Principles.

In summary, as a signatory of the Principles, we are proud of what Donaldson Company is doing for the advancement of Blacks in South Africa and feel that Blacks in South Africa have and should continue to benefit from the presence of U.S. companies. We feel the benefit of the role of U.S. companies in South Africa is accurately described by a statement the Reverend Sullivan made shortly before he resigned, "Even if I leave the programme ... the principles will remain. They provide the most comprehensive standards for enlightened corporate behaviour in South Africa. Further, the implementing programme has proven to be the most effective corporate change agent in South Africa. A company of any nationality which operates in South Africa can find no better vehicle to correct inequities and end discrimination brought about by apartheid."

Sincerely,

William A. Hodder
Chairman

DRESSER INDUSTRIES INC 1100 CONNECTICUT AVENUE WASHINGTON, D.C. 20036

ARDON B. JUDD, JR
VICE PRESIDENT
WASHINGTON COUNSEL

June 15, 1988

COMMITTEE ON
RECEIVED
JUN 16 198
WAYS AND MEANS

The Honorable Dan Rostenkowski
Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Dresser Industries as a U.S. employer in South Africa strongly opposed H.R. 1580, the Anti-Apartheid Act Amendments of 1988 currently pending before the Ways and Means Committee.

Two particular provisions of this legislation would damage the position of the U.S. in trade: Sec.302 would prohibit the importation into the U.S. of any article containing components or constituent parts of South African origin; and, Sec. 402 would impose mandatory sanctions on foreign persons who take commercial advantage of anti-apartheid sanctions. Proposals such as these could start a trade war. The European Community and the individual nations of Germany and the United Kingdom have already waged complaints with the State Department on their extraterritorial reach. The U.S. has always recognized the right of one country to boycott another but has steadfastly opposed secondary and tertiary boycotts. The U.S. has worked extremely hard to get our trading partners to respect this principle particularly on the Arab boycott of Israel. Passage of this bill would work to undue the progress we have made on this issue.

Dresser Industries firmly believes that U.S. policy should be one which will enhance the positions of the nonwhites in South Africa not impoverish them. H.R. 1580 will harm both the blacks in South Africa and United States trade policy.

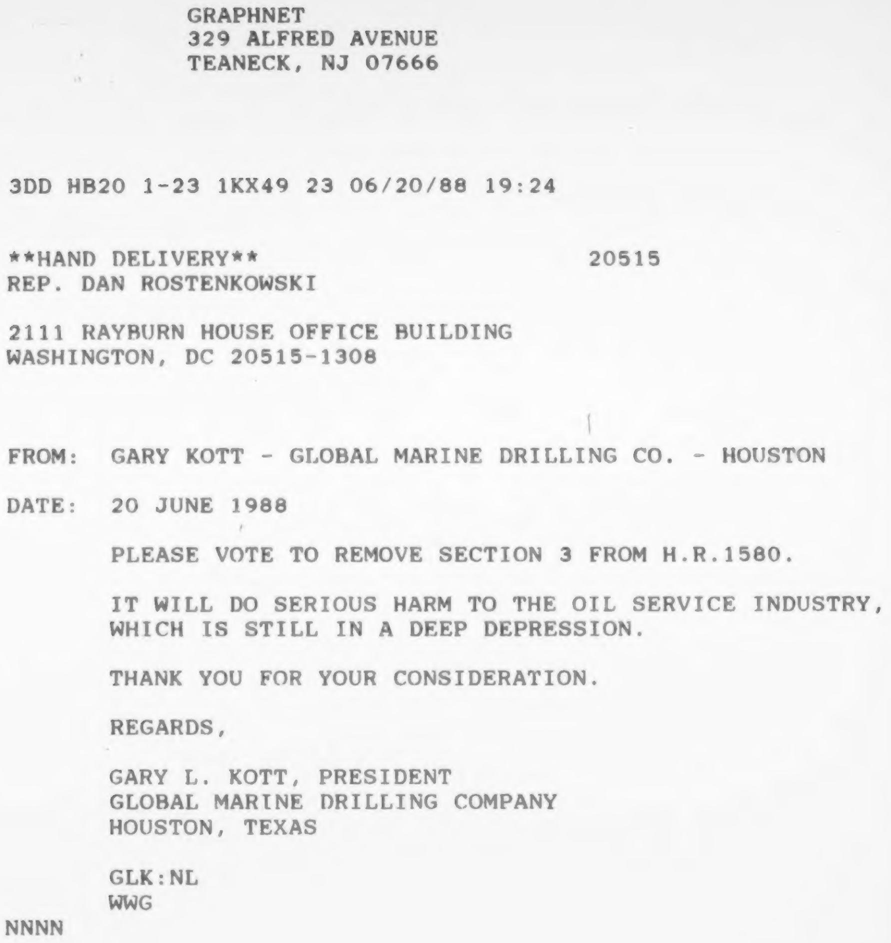
Because of the startling trade implications embodied in this legislation which were exposed during the Trade Subcommittee hearing we earnestly hope that the full Ways and Means Committee will have the opportunity to consider this issue in depth.

I remain,

Sincerely,

Ardon B. Judd

WASHINGTON OFFICE • TELEPHONE 202/296-3070 • TWX 202 965 0905



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HAND DELIVERY 20515
REP. DAN ROSTENKOWSKI

2111 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1308

FROM: GARY KOTT - GLOBAL MARINE DRILLING CO. - HOUSTON

DATE: 20 JUNE 1988

PLEASE VOTE TO REMOVE SECTION 3 FROM H.R.1580.

IT WILL DO SERIOUS HARM TO THE OIL SERVICE INDUSTRY, WHICH IS STILL IN A DEEP DEPRESSION.

THANK YOU FOR YOUR CONSIDERATION.

REGARDS,

GARY L. KOTT, PRESIDENT
GLOBAL MARINE DRILLING COMPANY
HOUSTON, TEXAS

GLK:NL
WWG

NNNN

000342

Ilse Hammerschlag
c/o Library Plaza Hotel
1637 Orrington
Evanston, Illinois 60201

COMMITTEE ON
RECEIVED
JUN 21 1988
WAYS AND MEANS

June 10, 1988

RECEIVED
JUN 2 1988
SUBCOMMITTEE ON TRADE

The Honorable Dan Rostenkowski
2148 N. Damen
Chicago, IL 60647

Re: HR1580

Dear Mr. Rostenkowski:

The above bill, if enacted into law, will have the effect of reducing many U.S. citizens and permanent residents to poverty. The bill would make it illegal for any U.S. citizen or resident to own or hold any investment in South Africa. Many U.S. citizens and residents of South African extraction, particularly elderly persons, depend upon income from South African investments for their support. This bill would deprive them of that income, while many of these same persons are ineligible to receive Social Security payments.

Further, South African law makes it virtually impossible for any holder of a South African investment to dispose of that investment, even by way of gift. The bill will, therefore, impose criminal sanctions on individuals who have no power to comply with the law.

Your most urgent attention to this legislation would be deeply appreciated.

Very truly yours,

Ilse Hammerschlag

harsco
CORPORATION

June 10, 1988

Malcolm W. Gambill
President and
Chief Executive Officer

The Honorable Dan Rostenkowski
c/o Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, DC 20515-6348

Dear Mr. Rostenkowski:

As President of a corporation with six plant operations in the state of Illinois, I write to urge you to take a serious look at H.R. 1580, the Dellums Bill regarding South Africa.

Our Heckett Division operates a joint venture in South Africa and employs approximately 450 workers, of which 70 percent are black. As of July 1, 1987, all race based wage and salary discrepancies were eliminated from all compensation scales. White and black employees holding the same job classification are now receiving equal pay. In implementing this new policy, we granted all black employees an average increase of 16.5 percent versus 12.5 percent for its white employees. This increase, plus similar accelerated increases for blacks in recent years, has resulted in achievement of a unified compensation structure for these operations.

In the last eighteen months, we and our South African partners have implemented nondiscriminatory policies with respect to housing loans, educational assistance, job training, and company restaurants. In addition, black trade unions were permitted to participate in wage negotiations this year.

Thus, Harsco is taking steps to remedy the effects of apartheid consistent with the Statement of Principles contained in various affirmative action programs. Please believe me when I say this Bill will have drastic effects on that which has been accomplished and, as such, the only people to suffer will be the black workers of South Africa who are strongly against these U.S. sanctions.

Sincerely,

Malcolm W. Gambill
P.O. BOX 8888
CAMP HILL, PA 17011-8888
717/763-7064

B5/AD2/SAI

JUN 14 '88 13:01 HYDRILL 4492000X219 P.1

John B. Griffiths
President

COMMITTEE ON
RECEIVED
JUN 15 1988
WAYS AND MEANS

Hydril Company
3300 North Belt East
P.O. Box 60458
Houston, Texas 77205
Telephone (713) 449-2000

June 9, 1988

The Honorable Dan Rostenkowski
2111 Rayburn House Office Building
Washington, D.C. 20515-1308

Dear Representative Rostenkowski:

I understand H.R. 1580, the Anti-Apartheid Act Amendments of 1988, may come to a floor vote on June 16, 1988. I expect House approval, however, I urgently request the following change:

> Change the date of April 20, 1988 in Section 303 Paragraph (C) to a later date. Preferably, the date should be when the bill is approved by both House and Senate. But, as a compromise, when the bill is approved by the House.

As the bill is presently written, our company must stop doing business with South Africa NOW -- before the bill becomes law! This is because if we accept a purchase order from South Africa any time after April 20, 1988, and do not deliver the equipment prior to the bill becoming law, we will be unable to ship the equipment. Since our equipment takes several months to build, we cannot accept the uncertainty inherent in the present bill.

I do not believe a company should be penalized by a proposed law. The oilfield industry is already severely depressed. More of our employee's jobs are threatened by the unreasonable retroactive date of purchase order acceptance in this proposed bill. Please help us.

Sincerely,

John B. Griffiths

JBG/rjb

cc: Steve Larkin, Executive Director
Petroleum Equipment Suppliers Association

STATEMENT OF HENRY J. BINGHAM
EXECUTIVE VICE PRESIDENT
INTERNATIONAL INVESTORS, INC.
ON THE ANTI-APARTHEID ACT AMENDMENTS OF 1988

Presented to the Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives

June 2, 1988

Mr. Chairman and members of the Subcommittee: I am Executive Vice President of International Investors, Incorporated, located in New York City. International Investors, Incorporated, is an open-end, diversified investment management company -- a mutual fund -- concentrating in gold mining shares.

My firm an others like it administer about twenty-five American gold-oriented mutual funds with more than 500,000 shareholders. In addition, many individual American shareholders own South African shares directly.

The bill before this Committee, S. 2378, would require American investors to sell their holdings of South African securities within one year of enactment. On behalf of my firm and the half-million Americans who would be hurt, I urge deletion of this provision.

First, I believe that restricting the freedom of American investors and penalizing them for past choices will not contribute to the advancement of reform in South Africa or the legitimate goals of South African blacks.

Secondly, American shareholders would suffer huge losses if they had to sell their shares within a year. They bought the shares in good faith for specific investment purposes and they have not violated American law.

Third, I agree with those who believe that the United States should act responsibly to promote equal opportunities for all people in South Africa. I agree with the Washington Post and others which state that the U.S. presence in South Africa has been the strongest force for change there.

Americans own South African gold mining shares for a variety of reasons. Generally, gold and gold-related investments are perceived to offer protection against inflation and other forms of monetary and economic instability. They often move counter-cyclically to the New York industrial share and bond markets. Thus, as part of an overall portfolio, they offer optimal diversification.

Because the gold mining industry in South Africa is highly developed, the shares in those mines are historically more predicable than others. In addition, the earnings of each mine, after capital expenditures, are distributed to shareholders as dividends rather than used to finance exploration for new gold deposits in areas not contiguous to the mine. That means a relatively secure income stream to shareholders, compared with most mines in other countries.

A very large portion of all the South African shares owned directly by mutual funds and by individuals are in the form of American Depository Receipts (ADR's) issued by five New York banks: Citibank, Morgan Guaranty, Irving Trust, Bank of New York, and Chemical Bank. ADR's are receipts issued by the banks for ordinary (common) shares which are held on behalf of the issuing banks in the country of origin.

The present dollar value of these stocks held by Americans is not possible to pinpoint, but a recent study showed there are approximately $5 billion of South African ADR's (mostly gold mining stocks) outstanding at current market prices. At last year's highs they were valued at more than $10.9 billion. In addition, both individuals and mutual funds own underlying ordinary shares. At current market levels, we estimate that American individuals and investment institutions own approximately $5 billion of South African equity securities including the ADRs.

At this time, an authoritative study by the Wharton Econometric Forecasting Associates is being undertaken to determine the impact on U. S. investors of the proposed legislation. It should be completed within a month, and I hope that it will be included in your record of these hearings.

These stocks are held by a large number of people with relatively modest investments. At International Investors, Incorporated, the largest gold mining fund in the United States, the value of the average shareholder account is approximately $6,800 at current market prices. This fund has approximately 120,000 shareholders.

In a forced sale of these securities the individual American shareholders would be the most seriously hurt. The required sales to foreigners would almost certainly drive the prices of the shares down to extremely low levels.

If the bill as written is enacted, the value of these shares could decline as much as 50% from present levels. Although these figures are rough estimates, there will be very significant federal revenue implications.

This bill would have some real major effects on federal revenues. An exact figure isn't possible, because the information isn't available or obtainable. But, given those caveats, assume that one-third of the American-owned shares were bought at prices approximating last year's highs by Americans in the top tax bracket. If prices drop from present levels as I believe they would, then the losses that this group alone would incur from the divestment-induced prices could be as high as $2,500,000,000. Given the top tax bracket, this group would have a tax loss of approximately $1 billion.

That is a best-guess, conservative estimate--this provision alone would cost over $1 billion in federal revenues.

Managers of American mutual funds, banks issuing ADR's and dealers in the securities would also be severely penalized.

Of interest to the Committee is the question: If passed, would this provision have any adverse affect on South Africa? The answer is no. On the contrary, foreign interests, including some South African investors, would be enriched as they purchased these shares at depressed prices during the period of American liquidation. If, for example, $2.5 billion of securities -- devalued from an approximate $5 billion prior to divestment -- were lost because of a forced sale, and smart South African firms and individuals bought them, it would have the same effect as a $2.5 billion transfer of wealth from the U. S. to South Africa as the prices go back to normal.

Secondly, trading in these securities is in the secondary market and no new capital is being generated for South African firms. If Americans had to sell these securities, there would then be a cut-off of funds to Americans from South Africa in the form of dividends. This would result in improving South Africa's balance of payments position.

In summary, there is little justification for forcing Americans to take huge losses without compensation. This provision does not advance the goals of the bill. Since forced stock divestiture does not impose any cost or loss of potential gain on South Africa, it is, in fact, not a sanction. In reality, the provision is anti-American investor, rather than anti-apartheid.

STATEMENT OF JAY MAZUR, PRESIDENT
INTERNATIONAL LADIES' GARMENT WORKERS' UNION
ON H.R. 1158, A BILL RELATING TO PROPOSED SANCTIONS AGAINST SOUTH AFRICA
FOR SUBMISSION TO THE SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES
AS PART OF THE RECORD

In my capacity as President of the International Ladies' Garment Workers' Union, I wish to thank the Subcommittee on Trade of the House Ways and Means Committee for the opportunity to testify on a bill relating to proposed sanctions against South Africa.

Although any proposed legislation that would place restrictions on both exports and imports with another country is clearly a subject falling under the head of "trade", in the case of South Africa it is our opinion that while such pending legislation is economic in character it is, above all, a matter of human rights.

When we learn that more than three million dollars worth of textile and apparel were imported into the United States from South Africa in 1987, we are necessarily concerned with how many jobs of American workers were lost as a consequence. But that concern is secondary to the fact that such imports were banned by law in December 1986 and, despite that prohibition, continued to flood this country and wash away jobs.

But, vital as they are, jobs are not our main concern in this case. In the first instance, we are outraged by the fact that a major piece of legislation to advance the cause of human rights in the world is not being enforced by an Administration that signed the act and that is under oath to uphold the law.

The ban on imports from South Africa is no ordinary action; it is an historic act that springs from our basic dedication to the proposition that all men and women are created equal. That law is directed at putting an end to apartheid in South Africa. That law is our way of saying to the world and to South Africa that "taxation without representation is tyranny." It is our way of saying, with Thomas Jefferson, that if God had intended for some men to ride on the backs of others, he would have created some with saddles on their backs and others with boots and spurs on their legs. And since none are so equipped at birth, no human is made for slavery or for mastery.

For these reasons, in the case of South Africa, we hold that our government should impose the strongest sanctions it can against that country because, in the first case, we are Americans who wish to keep the faith that is America--our dedication to liberty.

We are also concerned as unionists. The International Ladies' Garment Workers' Union is affiliated with the International Textile, Apparel and Leather Goods Workers. Through the AFL-CIO we are part of the International Confederation of Free Trade Unions. We are part of these worldwide organizations because there is a bond of brotherhood that brings working people of all countries together in the age-old struggle of laboring people to gain a fair share of the wealth we produce.

To realize economic justice, working people must be free to organize, to speak out, to meet, to publish, to act politically, to negotiate contracts, and is necessary, to withhold their labor. Freedom is the air that working people need for their collective efforts to be recongnized as humans and not just as hands.

That freedom is denied black working people in South Africa. As unionists we call upon our government to bring economic pressure to bear on the government of South Africa to give black workers the full rights enjoyed by all workers in the free world.

We are also concerned as citizens of a shrinking world, where once distant nations are now next door neighbors, that apartheid imperils world peace. This discrimination by law is an open insult to hundreds of millions of black people around, a provocation for social disorder whose consequences can imperil social order on an ever-widening scale.

As Americans who believe that the fundamental rights proclaimed by the Founders of this nation are necessary and desirable for humans everywhere, as unionists who believe that working people must enjoy the freedom to act on their own behalf in pursuit of economic justice, as citizens of a "global village" where injustice and violence anywhere threaten peace and justice everywhere, we wish to go on record as calling for the end of apartheid and for the imposition of sanctions by our government to end this perilous practice by the government of South Africa.

Johnson & Johnson

ONE JOHNSON & JOHNSON PLAZA
NEW BRUNSWICK, N.J. 08933-

June 10, 1988

The Honorable Dan Rostenkowski
Chairman, Committee on Ways and Means
c/o Mr. Robert J. Leonard
Chief Tax Counsel
1102 Longworth House Office Building
Washington, D.C. 20515-6348

Dear Congressman Rostenkowski:

Johnson & Johnson's position on apartheid in South Africa is clear. We abhor and condemn apartheid and reject race as any criterion for the judgment of human worth. Institutionalized racism in South Africa must end, and to that end we will continue to do everything in our spheres of influence.

Johnson & Johnson is committed to a strong program in social justice, community development, education and Black advancement in South Africa. We totally oppose the notion that U.S. business withdrawal will lead to the dismantling of apartheid and, therefore, oppose H.R.1580.

Sincerely,

Aldrage B. Cooper, Jr.
Director, Public Affairs

aw

JOY TECHNOLOGIES INC.

CORPORATE OFFICE
One Oxford Centre
301 Grant Street
Pittsburgh, Pennsylvania 15219-1490
Phone: (412) 562-4500

June 14, 1988

The Honorable Dan Rostenkowski
c/o Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, DC 20515-6348

Re: Proposed South African Sanctions Legislation

Dear Congressman Rostenkowski:

As Chairman and CEO of Joy Technologies Inc., a major manufacturer of capital goods with operations in Mt. Vernon and South Barrington, Illinois, I would like to express my concern about the Dellums Bill (H.R.1580) being considered by the Ways and Means Committee.

Joy, along with numerous other American companies, has done business in South Africa for many years. I have visited our operation there and have seen what companies such as ours have accomplished. We have donated funds for schools, clinics, scholarships and other projects which benefit black South Africans. And I think there is something even more important. I feel our greatest contribution is the example we have set - recognizing and negotiating with black unions, paying equal wages, having fully integrated facilities - and the legacy we are helping to build for the future. The blacks of South Africa need not only political and social equality, but also the opportunity to learn the skills which will enable them to participate in their economy and provide a decent standard of living for all their countrymen; the abolition of apartheid will not improve the lives of South Africa's blacks if they are not able to enjoy economic equality.

Joy is helping in the struggle for economic equality, not only by our direct actions as a company in hiring, training and promoting blacks in supervisory, management and professional positions, but also through the efforts we encourage our managers to make in the community. Our employees have devoted many, many man-hours to educational programs and to programs which help black entrepreneurs establish and run businesses, a partial listing of which is attached. Those businesses and the experience they bring are the foundation upon which true improvement in the lives of South African blacks must be built.

If American companies leave South Africa, the businesses they ran will continue to operate, either in the hands of South Africans or nationals of other countries. What experience is already proving is that the programs and progress that American companies began will not continue. In the aftermath of the divestitures which have occurred, many of the black South Africans who had supported sanctions and disinvestment now question that approach. Blacks have suffered disproportionately from the unemployment resulting from the divestitures and racial discrimination has returned to companies which had practiced affirmative action. While progress is painfully slow even with the presence of American companies, it will be non-existent without them.

Some Americans believe that sanctions and disinvestment represent the best way to improve the lives of South Africa's blacks, but I believe they have reached this conclusion without having been exposed to a complete picture of the situation in South Africa. I also doubt they understand that the domestic operations of companies such as Joy will suffer from trade sanctions and disinvestment. We receive revenues from our South African subsidiary through dividends, technology transfer fees and the sale of products manufactured in the U.S. The loss of these revenues and sales will be a blow to us and will probably force cutbacks and a loss of jobs.

If you or any member of your staff would like more information on the impact of this legislation, I and other members of our management team would be happy to meet with you and discuss our experiences in South Africa and the adverse effects we see this legislation having on both black South Africans and our employees here in the United States.

Very truly yours,

JOY TECHNOLOGIES INC.

Roy Wennerholm, Jr.
Chairman, President and Chief
Executive Officer

crc

attachment

Representative Activities Of
Joy Technologies Inc.
In South Africa

- When Joy learned several years ago that the facilities in Daveyton, a particularly depressed black area, were not adequate to provide health care to the community, Joy built a clinic there. During the past year a squatter camp developed close to the clinic, and the clinic is providing health care to people living under squalid conditions.

- In addition to building the new clinic in Daveyton, Joy funded an addition to an existing clinic, located in another area of Daveyton. This clinic provides preventative and promotive health care to the inhabitants of the area. Prior to Joy's building of the addition, the facility was very small, and patients had to wait outside in often inclement weather.

- Through the "Adopt-a-School" program, Joy has adopted six schools, improving their facilities and upgrading educational aids. Joy learned that the students' math results were very poor, due largely to the poor quality of math teachers. Therefore, Joy sponsored and assisted an education specialist in setting up a computer center and is currently providing training to students and teachers alike. Joy has found that progress has been quite remarkable and examination results in these schools have increased since Joy's involvement with the schools.

- Joy's involvement in the "Get-Ahead" organization, which is dedicated to giving financial assistance and expertise to black entrepreneurs, has resulted in Joy's employees dedicating many man-days in helping these businesses become economically viable.

- Joy is one of the founders of the Legal Aid Clinic in the industrial area of Wadville. This Legal Aid Clinic addresses the needs of workers, mostly blacks and colored. The cases handled at the clinic involve a wide variety of issues, including cases of detention. Two of the Legal Aid Clinic's trustees are Joy employees, one of whom is black. The Clinic is greatly reducing the incidence of lack of legal representation because of lack of money.

- In addition to the above projects, Joy, in conjunction with many other American companies, provides workshops which serve as a forum for discussing effective interdependent working relationships between the communities of Garmiston, Alberton, Katlehong and Tokoza. The former two communities are white areas and the latter two are black areas. These workshops are the first of many such projects aimed at the closer collaboration between blacks and whites which Joy plans to take part in.

MAPI
1200 Eighteenth Street, N.W. Washington, D.C. 20036 Telephone (202) 331-8430 • FAX (202) 331-7160

June 9, 1988

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Thomas F. Russell, Chairman
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Wean Incorporated
Roy Wennerholm, Jr., Chairman and President
Joy Technologies Inc.
James W. Wilcock, Chairman and President
PACE Industries Inc.

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade,
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House
Office Building
Washington, DC 20515

Dear Mr. Chairman:

We welcome this opportunity to offer our views on the pending legislation to impose additional sanctions against South Africa.

Introduction

A Word About MAPI

MAPI is a policy research institute whose 500 member companies are drawn from the producers and users of capital goods and allied products. Our membership is comprised of leading companies in heavy industry, electronics, precision instruments, telecommunications, computers, office systems, aerospace, and similar high-technology industries. Service organizations are also represented. MAPI conducts original research in economics, law, and management and provides professional analysis of issues critical to the economic performance of the private sector. The Institute acts as national spokesman for policies which stimulate technological advancement and economic growth for the benefit of U.S. industry and the public interest.

Overview

MAPI's basic opposition to the unilateral imposition of economic sanctions to achieve foreign policy objectives generally, and, more specifically, the use of such measures against the Republic of South Africa is a matter of public record./1 In the case of our opposition to South African sanctions, we emphasize that this is in no way an endorsement of apartheid. We are, however, compelled to once again speak out on this subject because we believe that the emotion evoked currently by the repressive policies of the South African government may lead this country to compound the self-inflicted harm, both economic and political, which stems from a sanctions-oriented policy approach.

Our fundamental position, which is set forth in more detail in accompanying exhibits, can be stated simply --sanctions to achieve foreign policy objectives generally are ineffective and counterproductive. Such actions in the case of South Africa serve neither to hasten the demise of the apartheid system nor to improve the position of the black majority population of South Africa. In fact, there is every indication that U.S. sanctions adversely impact

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1/ See More Sanctions Against South Africa? An Opposing View, MAPI Memorandum FT-112, July 1985; and The Need to Reassess the Use of Export Controls for "Foreign Policy" Objectives, MAPI Memorandum FT-119, August 1987. These memoranda have been submitted as accompanying exhibits to this statement. By and large, they merely elaborate on the basic points made herein.

MAPI promotes the technological and economic progress of the United States through studies and seminars on changing economic, legal, and regulatory conditions affecting industry.

both black South Africans and the economic interests of U.S. industry. It is, however, the adverse impact on U.S. industry on which MAPI feels it is particularly qualified to comment.

As discussed in more detail later, in major part as a result of U.S. sanctions on transactions with South Africa in recent years and the threat of even more sanctions to come: the book value of U.S. investment in South Africa was reduced by about one-half from 1983 to the end of 1985 (and undoubtedly has been reduced even more as disinvestment accelerated during 1986 and 1987); and U.S. exports to South Africa declined by about $1 billion from 1983 to 1986 and receded to a level only slightly more than one-half of the 1983 level. However, this has had little impact on the economy of South Africa as U.S. investors have been replaced by South African, European, and other investors, and U.S. exporters have been replaced by other exporters, notably by those of West Germany, Japan, and the United Kingdom. It has had a noticeable impact on U.S. suppliers as they dropped from being the leading supplier of exports to South Africa as recently as 1983 to fourth place.

The MAPI Position in Detail

The Impact of Sanctions on U.S. Economic Interests

The U.S. economic presence in South Africa, never dominant, is shrinking rapidly:

> Direct Investment.--According to U.S. Department of Commerce data, U.S. direct investment in South Africa declined from $2.3 billion in 1983 to $1.2 billion in 1985. Since disinvestment by U.S. firms is reported to have accelerated after enactment of the Comprehensive Anti-Apartheid Act of 1986, the current level of U.S. direct investment in South Africa is undoubtedly much lower.
>
> At its peak U.S. direct investment in South Africa is estimated to never have accounted for more than 15-17 percent of all foreign direct investment in South Africa and amounted to less than 5 percent of total fixed, private sector investment in that country. In the early 1980s, United Kingdom investment alone was estimated to be some 40 percent of total foreign direct investment in South Africa, and the share of Europe as a whole constituted some 70 percent of foreign direct investment in South Africa.
>
> According to press reports, in most cases U.S. firms leaving South Africa have sold their interests to South Africans. However, sales also have been made to British, German and other interests.
>
> U.S. Exports.--According to U.S. Department of Commerce data, U.S. exports to South Africa have declined from $2.1 billion in 1983 to $1.2 billion in 1986. According to South African data (in rand), in 1983 the United States was the leading supplier to South Africa providing 15.2 percent of South African imports. The European share was 41.6 percent and the share of West Germany alone was 13.8 percent. The share of Japan was 11.8 percent.
>
> Although the South African government no longer publishes data on bilateral trade, the erosion of the U.S. market position is evidenced in publications of the International Monetary Fund (IMF). The IMF's *Directions of Trade Statistics, Yearbook, 1987*, which publishes data in U.S. dollars, reports that in 1986 the United States was in fourth place as a supplier to South Africa

> with a market share of 10.6 percent. The United States followed West Germany (16.9 percent), Japan (12 percent), and the United Kingdom (11.1 percent). Further, for the three-month period August-October 1987, West German exports were almost twice the U.S. level, Japanese exports 50 percent over the U.S. level, and United Kingdom exports were some 20 percent above those of the United States.
>
> It is instructive to note the decline in market share in South Africa of U.S. computers, the export of which has been restricted since 1978. U.S. Department of Commerce data show that the U.S. share of South African imports of computers declined from around 70 percent in the 1970s to about 30 percent in 1985. It undoubtedly has declined further since 1985.

While it is tempting to believe that the impact of sanctions could be strengthened through multilateral cooperation, the experience under the 1977 United Nations' mandatory arms embargo against South Africa is not encouraging. In a report last year to the Congress mandated by the Comprehensive Anti-Apartheid Act of 1986, the U.S. Department of State expressed its belief that: (1) South Africa obtains weapons systems and subsystems from a "wide variety of sources worldwide"; (2) companies in France, Italy, and Israel have continued to be involved in the maintenance and upgrade of major weapons systems provided before the 1977 UN embargo; (3) Israel appears to have sold military systems and subsystems and provided technical assistance on a regular basis and the Israeli government was aware of all or most of the trade; and (4) companies in West Germany, the Netherlands, and Switzerland have "on occasion" exported articles covered by the embargo without government permission or have engaged in sales to South Africa in the gray area between civilian and military applications.

Even if the United States were able to gain a greater degree of cooperation from other countries, South Africa has the economic strength, stemming in large part from its advanced industrial base and significant mineral resources, to persevere in its social policies in the face of international sanctions.

The Counterproductive Nature of Sanctions

Response of the South African government.--While sanctions are intended to have a moderating effect on South African government policies, experience to date shows quite the opposite has occurred. Since the United States stepped up its sanctions-oriented approach toward that country, the prospects for any liberalization of apartheid policies have decreased measurably as the political situation there has deteriorated. Conservative pro-apartheid parties have advanced substantially at the expense of anti-apartheid representation in the South African legislature, and the ruling Nationalist party appears to have slowed the pace of liberalization. Further, the strong showing of the far-right conservative party in last May's general election and in two recent by-elections has moved the ruling party to take further repressive measures against anti-apartheid groups.

Effect on black South Africans.--Concerning the impact of economic sanctions on black South Africans, further disinvestment by U.S. firms from that country could be expected to worsen the conditions for former employees. Although U.S. companies have employed only a small portion of the South African labor force, they have long been recognized as being a strong force for social change in South Africa. U.S. companies paid higher than prevailing wages, desegregated their workplaces, and provided training for skilled positions. Also, they have set the standard for corporate behavior through such philanthropic programs as building and financing schools and the establishment of daycare centers. In the view of many South Africans of all races, U.S. disinvestment will eliminate an important source for constructive change in South Africa.

In still another area, in contrast to on-going industrial strife, most U.S. companies experience excellent labor relations in South African operations. Several firms contemplating reducing their presence there have been petitioned by workers to remain.

As noted earlier, most of the purchasers of U.S. assets in South Africa are South Africans and investors from other countries who probably will not be as sensitive as U.S. employers to employment equality considerations.

Conclusion

We have attempted to be brief in presenting our view on these issues, but our views (and statistics on the U.S. population in South Africa) are set forth in more detail in exhibits which accompany this statement. We believe that an objective appraisal of the record of economic sanctions and a realistic assessment of the likelihood that any beneficial policy goals will be achieved by further punitive measures against South Africa lead to the conclusion that legislative approaches currently being considered are inappropriate. Moreover, any further legislative action along these lines will merely serve to exacerbate the adverse economic and social effects of earlier sanctions. While specific exceptions incorporated into additional punitive measures might serve to protect the concerns of some parties to this debate, and thereby weaken overall opposition to a sanction-oriented policy approach toward South Africa, the basic fact remains that such an approach is ill conceived and contrary to this country's best interests.

Respectfully,

Ken McLennan

President

[EXHIBITS SENT TO THE COMMITTEE ARE BEING RETAINED IN THE COMMITTEE FILES.]

MOORE & MUNGER
[illegible]

THIS IS OUR
100th
ANNIVERSARY

June 10, 1988

Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, D.C. 20515-6348

RE: H.R. 1580

Dear Mr. Leonard:

I am writing to inform the members of the Ways and Means Committee that should bill H.R. 1580 be enacted into law, our company would be severely damaged by the provisions barring imports from South Africa. I urge the Committee to seriously examine the implications of this measure for American business and labor and for United States relations with our trading partners in Europe and Asia. At this point it is clear that no other committee in the House of Representatives is going to undertake any serious study of these problems.

Moore & Munger Marketing and Refining, Inc. is a small company which has developed a useful and profitable place in the market by integrity, hard work, service and attention to quality. We supply a variety of American industries with lubricating oils, chemicals and specialty products manufactured here and abroad, and we employ some 200 workers at our facilities in Arkansas and Connecticut. For some thirty-three years we have been importing high quality, synthetic waxes from South Africa, which because of their unique properties, are used in the production of a number of American products ranging from printer's ink to adhesives for food packaging. These waxes are made from coal by a complex process and are produced only in South Africa.

H.R. 1580 would, if enacted, cut off all imports from South Africa except certain strategic minerals designed by the President as essential for the economy or the defense of the

[illegible] • [illegible]
TEL (203) 925-4300 • TELEX [illegible] • TWX [illegible] • TELEFAX [illegible]

United States. Absent such a designation, this prohibition would deprive Moore & Munger of a line of business of critical importance to the company's financial integrity and would put in jeopardy the jobs of our two hundred employees. Further, our customers in several industries would be cut off from an important raw material they could not obtain from any other source. These companies would have no choice but to modify their products with attendant degradation of quality, price and competitiveness.

The tragedy is that this bill -- which would hurt many American companies and their employees -- would also set back the cause it is supposed to support -- the struggle against apartheid in South Africa. Trade sanctions against South Africa impact most on black labor who need the jobs provided by exports to the United States, and they undermine the position of moderates in South Africa who support the dismantling of the apartheid regime.

The Congress looks to the Ways and Means Committee for leadership on issues which affect the economic well being of our citizens. This is such an issue, and that leadership is desperately needed now.

Sincerely yours,

Victor C Braun

Victor C. Braun, Jr.
President

VCB/nas

IRA WILLIAM NADLER
430 EAST 86TH STREET
NEW YORK, NY 10028
HOME: 212 628 2789
OFFICE: 215-834-1313
JUNE 6TH, 1988

ROBERT J. LEONARD, CHIEF COUNSEL
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ROOM 1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

RE: H.R.1580 - SANTIONS AGAINST SOUTH AFRICA

DEAR SIR;

I AM SUBMITTING THE ENCLOSED STATEMENT FOR THE PRINTED RECORD OF THE HEARING IN 6 COPIES ON LEGAL SIZE PAPER AS REQUIRED.

A SUMMARY OF MY COMMENTS IS AS FOLLOWS:

I BELIEVE ENACTING MORE SACTIONS AGAINST SOUTH AFRICA IS AGAINST THE BEST INTERESTS OF THE USA AND SOUTH AFRICANS, BOTH WHITE AND BLACK.

THE EYES OF THE WORLD ARE FOCUSED ON SOUTH AFRICA AND WILL IN DUE COURSE HAVE THE EFFECT OF MODERATING APARTHEID AND MOVE WHITES AND BLACKS TO A MORE EQUITABLE DISTRIBUTION OF POLITICAL RIGHTS AND ECONOMIC BENEFITS. THIS BILL WHICH IS ~~IS~~ AN ACT OF WAR AGAINST THE COUNTRY AND ALL THE PEOPLE OF SOUTH AFRICA WORKS AGAINST THE OBJECTIVES IT IS INTENDED TO HELP.

THE ECONOMIC PRICE TO BE PAID BY THE CITIZENS OF THE USA HAS NOT BEEN SET FORTH. THE BILL SHOULD NOT BE APPROVED WITHOUT FULL CONSIDERATION OF THE ECONOMIC IMPACT TO THIS COUNTRY.

I RESPECTFULLY RECOMMEND THAT THE COMMITTEE VOTE AGAINST IT, AND SUBMIT A STATEMENT WITH REASONS TO SUPPORT MY POSITION.

RESPECTFULLY SUBMITTED,
Ira W. Nadler
IRA WILLIAM NADLER

STATEMENT SUBMITTED FOR THE PRINTED RECORD

RE: PUBLIC HEARING ON H.R.1580 - SANCTIONS AGAINST SOUTH AFRICA

I AM AGAINST THE BILL. MY REASONS ARE AS FOLLOWS:

1) I BELIEVE EXISTING LAW IS ADEQUATE TO EXPRESS OUR INDIGNATION AND TAKE A MORAL STAND AGAINST APARTHEID.

2) CONGRESS SHOULD NOT RUSH TO PASS UNWISE LEGISLATION OUT OF FEAR THAT IT HAS TO ADOPT JESSE JACKSON'S PLATFORM BEFORE THE DEMOCRATIC CONVENTION.

3) THE ECONOMIC IMPACT ON OUR COUNTRY WILL GREATLY OUTWEIGH ANY GOOD THAT COULD COME FROM IT.

4) THE EXPORTS WE BAN WILL BE SUPPLIED BY OTHER COUNTRIES.

5) THE IMPORTS WE BAN WILL BE BOUGHT BY OTHER COUNTRIES.

6) THE EXEMPT STRATEGIC MATERIALS WOULD BE BANNED TO US WERE IT NOT THAT SOUTH AFRICA CONSIDERS US AN ALLY AND FRIEND AND EXCUSES OUR BEHAVIOR. IT DOES NOT MAKE SENSE TO BAN ALL TRADE EXCEPT FOR THE THINGS WE NEED. TRADE IS A RECIPROCAL PROCESS.

7) LET US NOT FORGET THAT SOUTH AFRICA IS A LIFELINE FOR US IN THE EVENT OF WAR WITH THE SOVIET UNION. IF WE THINK THERE IS NO NEED TO PROTECT THIS LIFELINE, THEN WE SHOULD DISBAND OUR MILITARY ESTABLISHMENT AND CANCEL OUR DEFENSE BUDGET. IT IS INCONSISTANT TO DEVOTE AS MUCH AS WE DO TO NATIONAL DEFENSE AND THEN SHOOT OURSELVES IN THE FOOT BY ISOLATING SOUTH AFRICA.

8) CONDITIONS FOR BLACKS AND WHITES IN MANY COUNTRIES ARE MUCH WORSE THAN IN SOUTH AFRICA. WE SHOULD NOT DESTABLIZE SOUTH AFRICA. THE LONG TERM EFFECTS ARE INCALCULABLE.

9) THE ECONOMIES OF MOST OF AFRICA DEPEND UPON A HEALTHY ECONOMY IN SOUTH AFRICA. CONDITIONS ARE BAD ENOUGH IN AFRICA. WE SHOULD DO NOTHING TO MAKE THEM WORSE.

10) OUR HUMAN RIGHTS POLICIES SHOULD HAVE AN ELEMENT OF CONSISTANCY. I COULD POINT TO MANY SITUATIONS IN THE WORLD WHERE WE WATCHED WITHOUT SAYING OR DOING ANYTHING. THE PRESS HARP ON SOUTH AFRICA AS IF IT WERE THE ONLY PLACE WHERE THERE IS INJUSTICE. IT IS ABOUT TIME THAT WE EXPOSE CONDITIONS IN OTHER COUNTRIES THAT ARE MUCH WORSE, BUT IF THE GOVERNMENT IS BLACK OR THE COUNTRY LARGE WE TAKE NO ACTION.

11) IT IS NOT FOR US IN THE USA TO DESCRIMINATE AGAINST WHITE OWNED BUSINESS IN SOUTH AFRICA AND EXEMPT IMPORTS FROM NON-WHITE OWNED COMPANIES. OWNERSHIP OF A COMPANY IS NOT AS SIGNIFICANT AS THE JOBS IT CREATES WITHOUT REGARD TO SKIN COLOR

12) IT IS IMPOSSIBLE FOR US TO POLICE THE EFFECT OF OUR SANCTIONS AND REQUIRE ECONOMIC RETALIATION AGAINST THOSE WHO TAKE ADVANTAGE OF THE SANCTIONS. HOW DO YOU DISTINGUISH ONE TRANSACTION FROM ANOTHER AS TO WHETHER IT WOULD HAVE BEEN POSSIBLE OR LESS PROFITABLE WITHOUT SANCTIONS ?

13) LANDING RIGHTS SHOULD NOT BE DENIED ANY COUNTRY, ESPECIALLY ONE WHICH HAPPENS TO BE A STRETEGIC ALLY OF OURS.

14) NOT ACCEPTING BANK ACCOUNTS FOR SOUTH AFRICANS WILL SCARE CITIZENS OF OTHER COUNTRIES AND SO WILL HURT US AND HELP NOBODY

THE BILL IS IN THE SAME CATEGORY AS OUR JUSTICE DEPARTMENT PRESENTING A CASE TO OUR GRAND JURY TO INDICT NORIEGA, THE MILITARY LEADER OF ANOTHER SOVERIGN COUNTRY. HAVING JUST BLUNDERED WITH THAT INDICTMENT AND WITH SANCTIONS AGAINST PANAMA THAT MAKE MORE SENSE THAN THE ONES PROPOSED FOR SOUTH AFRICA, WE SHOULD STEP BACK AND TAKE A STATESMANLIKE VIEW OF THE SITUATION.

IF YOU ASK ANY WHITE SOUTH AFRICAN, HE WILL TELL YOU THAT HE DOES NOT LIKE APARTHEID BUT THINKS IT NECESSARY. THOSE AGAINST IT DO NOT HAVE A PLAN FOR ORDERLY TRANSITION. THEY ARE SIMPLY AGAINST IT WITHOUT REGARD TO WHAT WILL HAPPEN WITHOUT IT.

IF YOU ASK BLACKS IN THE USA ABOUT APARTHEID, THEY TELL YOU THEY DO NOT CARE ABOUT SOUTH AFRICA BUT UNDERSTAND THAT JESSE JACKSON AND OTHERS NEED A BLACK AND WHITE ISSUE TO STAND AGAINST THE ESTABLISHMENT. BUT THE FACT IS THAT OUR ESTABLISHMENT DOES NOT WANT APARTHEID. IT ALREADY PASSED A LAW TO EXERT PRESSURE FOR GRADUAL CHANGE BECAUSE IT BELIEVES THAT GRADUAL CHANGE IS A MORE RESPONSIBLE POLICY.

I AM 60 YEARS OLD. I HAVE ALWAYS CONSIDERED MYSELF A LIBERAL. MY MAJOR AT COLLEGE WAS INTERNATIONAL TRADE, AND I HAVE WORKED AS AN EXPORT SALESMAN FOR MANY YEARS. I BELIEVE THAT MY EXPERIENCE HELPS ME HAVE A BETTER UNDERSTANDING THAN THE AVERAGE AMERICAN WHO HAS NOT TRAVELLED AS MUCH AS I HAVE. HOWEVER, I ALSO BELIEVE FROM TALKING TO MANY PEOPLE OVER THE YEARS THAT POLITICIANS AND THE MEDIA ARE WAY AHEAD OF PUBLIC OPINION ON THIS ISSUE AND MOST PEOPLE DO NOT BELIEVE WE SHOULD ACT AGAINST SOUTH AFRICA AS IF WE WERE DECLARING WAR. THERE ARE SOME PROBLEMS THAT DO NOT HAVE EASY SOLUTIONS. WE DO NOT KNOW HOW TO EDUCATE AND EMPLOY OUR POOR AND SOUTH AFRICA DOES NOT KNOW HOW TO HANDLE A BLACK POPULATION THAT GROWS GEOMETRICALLY AS COMPARED TO ITS WHITE POPULATION WHICH IS DECLINING. WHITES IN SOUTH AFRICA ARE TRULY AFRAID OF BLACKS. WHEN YOU LOOK AT SOME OTHER COUNTRIES WHERE BLACKS HAVE TAKEN OVER, YOU CAN UNDERSTAND THOSE FEARS.

I SUBMIT THIS STATEMENT ON MY OWN BEHALF. I REPRESENT NO CLIENT OR ORGANIZATION. I WAS BORN IN THE USA AND WRITE THIS AS A CITIZEN IN ORDER TO EXPRESS A CONSIDERED OPINION TO MY LEGISLATORS. I HOPE THAT THIS STATEMENT WILL BE RECEIVED IN THAT WAY.

RESPECTFULLY SUBMITTED,
w. Nadler
IRA WILLIAM NADLER
430 EAST 86TH STREET
NEW YORK, NY 10028

June 6, 1988

OFFICE: 215-834-1313
HOME: 212-628-2789

NAM

National Association
of Manufacturers

ALEXANDER B TROWBRIDGE
President

June 13, 1988

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the National Association of Manufacturers, I wish to express our appreciation for the hearing that you held last week on trade aspects of H.R. 1580, the South Africa sanctions bill. NAM believes that this bill is bad trade policy and will also be harmful to the anti-apartheid cause in South Africa.

Sweeping sanctions against South Africa will not advance the anti-apartheid cause. Since NAM is also a strong supporter of the Overseas Private Investment Corporation (OPIC), we were struck by your eloquent defense last month on the House floor of granting OPIC limited operating authority in Hungary. Much of the same logic you used then applies to South Africa.

In both cases, the system is clearly undemocratic, but equally clearly in the process of change. The role of U.S. investment should be to serve as a model of free enterprise. Far from "doing business as usual" in South Africa and ignoring the realities of political repression, U.S. companies have played an up-front role both in giving South African blacks the educational and economic tools to fight the system, and in directly confronting unjust laws and policies. American companies have helped eliminate employment and promotion barriers to nonwhite workers, directly encouraged the legalization and formation of black labor unions and promoted progressive social policies such as housing integration.

Meanwhile, as in the case of Hungary, our major industrial competitors have recognized the beginning of change in the repressive local regime and that economic and political change will bring about new opportunities. They are maintaining or increasing their presence to take advantage of the new system that will emerge.

How much are the U.S. and South African economies hurt by sanctions? There seemed to be some confusion and some downright disinformation in the hearing as to the impact of sanctions on both the United States and South Africa. Representative Wolpe refused to admit it explicitly, but the 1986 sanctions actions of the United States and other countries have not prevented a solid recovery in the South African economy. From 1981 to early 1986, according to the IMF's authoritative International Financial Statistics, South African real average annual growth was flat. Between early 1986 and the third quarter of last year the growth rate averaged 2.4 percent, despite the imposition of foreign sanctions during that period. The general prediction for 1988 is a growth rate in excess of 3.0 percent.

Mr. Wolpe is correct when he stresses that growth could be higher without sanctions and that rapid black population growth means that the per capita GNP may be falling. This is an excellent confirmation of the point made on many occasions by U.S. investor companies supportive of anti-apartheid fair employment principles and policies: sanctions will hurt the people we most want to help by denying them jobs and the chance for economic power.

The recovery in the South African economy means significant trade losses for the United States if we pursue a sanctions policy. In 1981 we had about $2.5 billion in investment in South Africa and exported nearly $3 billion worth of goods there. This implied a total of 75,000 U.S. jobs dependent on exports to South Africa. With sanctions and slow South African growth, our investment has fallen to less than $1.5 billion in value, and our 1987 exports were only $1.3 billion. Consistently, according to Commerce Department investment and trade statistics, about a quarter of all our exports to South Africa have gone directly to affiliates of U.S. investors -- the fall in investment has contributed to the fall in exports.

This is still a substantial market -- larger than any other by far in all of sub-Saharan Africa, and without which many U.S. investors will simply close down all operations in the "frontline" states of southern Africa. Moreover, economic recovery in South Africa means that we are losing a rejuvenated export market to foreign competitors who are staying in South Africa, just when we (including exporters' associations like NAM and members of Congress like yourself) are diligently seeking ways to promote U.S. export competitiveness and bring down the trade deficit. The table below proves this point.

MAJOR INDUSTRIAL COUNTRIES' EXPORTS TO SOUTH AFRICA
($ billions)

	1981	1985	1987	1985-87 Chg.
United States	2.9	1.2	1.3	6.3%
Japan	2.2	1.0	1.9	82.9
Germany	2.7	1.7	2.5	50.8
United Kingdom	2.4	1.3	1.6	17.0

Source: IMF Direction of Trade Statistics (based on South African trading partners' data).

South Africa's leading import supplier in 1981, the United States, has lost over half its market there. But Japan and Germany have bounced back with growth rates of 83 percent and 51 percent respectively in exports since 1985 despite new trade sanctions. This data clearly does not support comments in your hearings regarding Japan's following the lead on our sanctions policy. Even Britain has shown three times the growth in exports since 1985 that U.S. exporters have enjoyed. On these figures, we would estimate that South Africa is still easily a potential $2 billion U.S. export market, if there are no further U.S. sanctions, and that the direct trade impact of a sanctions bill will be 40-50,000 current and potential U.S. export-related jobs.

What about retaliation against foreign countries who fill the vacuum left by U.S. sanctions? To ensure that third countries do not deliberately or inadvertently help South Africa by filling the trade and investment vacuum left by U.S. sanctions, H.R. 1580 would retaliate directly against foreign companies continuing to trade with South Africa. Foreign companies could lose their access to the U.S. market if they replaced U.S. investors or suppliers in South Africa, or used South African materials denied to U.S. importers by our trade embargo. Such proposals violate the principle established in U.S. law to prevent collaboration with the Arab boycott of Israel. Let me remind you of the testimony provided on this point by Mr. Richard Rivers, formerly general counsel for the U.S. Trade Representative under the Carter Administration:

> "Although the U.S. has always recognized the right of one country to boycott another, it has also steadfastly opposed secondary and tertiary boycotts. An example is our own anti-boycott law. This legislation is premised on the principle that no American company should be forced to implement or help another country's boycott. This principle has been championed by the U.S., even where our trading partners were reluctant to take a similar public stand...I am concerned that if the U.S. by its own example moves further down the road to secondary and tertiary boycotts, we will hasten the erosion of multilateralism and inject even more chaos into the international trading system."

Such provisions threaten to kindle a first-class trade war. The testimony of Assistant Secretary of State McAllister indicated that a number of the provisions of H.R. 1580 were so extraterritorial in effect that the European Community as well as the individual governments of Germany and the United Kingdom had lodged notes of protest with the State Department. NAM's conclusion is that the retaliatory provisions of this bill are so dangerous and damaging to U.S. trade policy that they will prove to be unenforceable and would never be used. They provide no protection to U.S. commercial interests and cannot prevent other countries from directly or indirectly counteracting U.S. sanctions through continued trade and investment in South Africa.

Our association hopes that these arguments will be considered before the Ways and Means Committee approves this legislation for final floor action. As you said, there may be times when trade policy must be sacrificed in the interest of other national objectives. But this is not the case today. These sanctions will hurt, not help, the cause of freedom in South Africa, while undermining our own export efforts and the world trading system.

In closing, I would like to request that this letter be added to the record of the hearing.

Sincerely,

AB Trowbridge

Alexander B. Trowbridge
President
National Association of Manufacturers

COMMITTEE ON
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COMMITTEE ON
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WAYS AND MEANS

NATIONAL FISHERIES INSTITUTE, INC.
2000 M STREET, N.W., STE. 580 ■ WASHINGTON, D.C. 20036 ■ (202) 296-5090

June 13, 1988

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

The National Fisheries Institute, an organization comprised of over 1,000 U.S. fish and seafood companies, is concerned that H.R. 1580, a bill "to prohibit investments in, and certain other activities with respect to South Africa, and for other Purposes," may have unintended adverse effects on international trade in fish and seafood products. Specifically, contrary to normal United States and international practice, H.R. 1580 could be read to prohibit the importation into the United States of fish products stored in or shipped through South Africa in situations where they have simply been held in Customs bond for transshipment. This could have a serious effect on the fisheries products of third countries destined for the United States market. American importers and consumers also would suffer. Against these costs, the benefits in terms of anti-apartheid policies would be negligible because South Africa enjoys no significant benefit from third-country-origin goods.

The National Fisheries Institute would be most grateful if the Committee's report included the attached language. We very much appreciate your consideration.

With best regards.

Sincerely yours,

Dick Gutting

Richard E. Gutting, Jr.
Vice President
Government Relations

Attachement

June 13, 1988

PROPOSED REPORT LANGUAGE FOR H.R. 1580

It is the intent of the Committee that fish or seafood which is not of South African origin and is held under bond in South Africa for transshipment shall not be subject to the prohibition in Section 302(d)(2)(D). Products that enter a country under bond for transshipment are treated as never having entered the Customs territory of that country. No duty is assessed upon the importation of such products. Accordingly, no duty is paid to the Government of South Africa upon fish or seafood not of South African origin which is merely stored under bond in South Africa pending transshipment. Thus, the Government of South Africa does not benefit from the payment of import duties upon such fish or seafood. Furthermore, because fish or seafood which is stored under bond in South Africa pending transshipment does not undergo a "substantial transformation" in South Africa, such fish or seafood will not be treated by U.S. Customs as fish or seafood of South African origin. Rather, the fish or seafood will retain its original country of origin.

Because the Government of South Africa will not benefit from payments of Customs duties upon the importation of fish or seafood which is stored in South Africa under bond pending transshipment and because the country of origin of such fish or seafood remains unchanged, the nexus between the mere storage of such fish or seafood in South Africa and the policies which H.R. 1580 seeks to promote is too tenuous to justify the prohibition of imports into the United States of fish or seafood which is not of South African origin but which is stored under bond in South Africa pending transshipment.

Furthermore, any prohibition on importation of fish held in bond in South Africa could have severe consequences for third nations, including friends of the United States, which rely in good faith on normal international treatment of goods stored temporarily under Customs bond. For those nations, it may prove impossible to find alternative means to ship fisheries products to the United States, particularly in cases where those products come from the Indian Ocean region. Thus, unless bonded storage is exempted, the embargo against South African goods could extend to third countries for which the United States has no reason to create difficulties and much reason to maintain sound trade relations. Moreover, American importers and consumers should not be denied the legitimate opportunity to purchase the products of such third countries.

PEACEFUL
PROGRESS
• IN • SOUTH • AFRICA •

Testimony before the House Committee on Ways and Means

Ours is a nonpartisan, ecumenical committee of persons of various ethnic backgrounds and political allegiances, drawn together by a common interest in discovering and supporting the most effective means by which this country can help those elements in South Africa working for a speedy but peaceful end of apartheid and the establishment of a multiracial democracy.

Aware of the limited extent of American leverage in South Africa, and the degree to which our influence has been further diminished since the passage, in October 1986, of the curiously named "Comprehensive Anti-Apartheid Act", we do not presume to offer any magic formula promising a quick-fix solution. Our first priority is to avoid making matters worse--to avoid the destruction of the economic base and bargaining power of the blacks and of the liberal elements in the white community.

We do not propose to testify about the losses suffered by American shareholders of companies forced, under this bill, to accept fire sale prices for assets in South Africa, or the losses of American exporters, such as our coal industry, which has been found by Wharton Econometrics to have lost some $250 millions as an unanticipated consequence of the 1986 sanctions bill. And we do not intend to discuss our country's growing dependence on the Soviet bloc for strategic minerals previously acquired from South Africa. We would leave it to other witnesses to testify on these issues, and to listen to the eloquent rebuttals of those who would extol the importance of putting prtinciple ahead of profits and Cold War considerations, or the urgency of "sending a message", of "getting on the right side of history" etc. ad nauseam.

Instead, we would urge the members of this Committee, before voting on any particular bill designed to address this problem, to consider first what the real issues are, what our objectives should be, and what sort of precedent they wish to establish for the handling of other foreign policy problems.

Is the issue one of whether we are for or against apartheid? If so, then we might be asked to impose an embargo of trade and investment against hundreds of other countries who deny the franchise to their citizens or otherwise fall short of our standards of democracy and human rights. Members would do well to review the testimony before the Africa Subcommittee on March 23 of Thupane NcGoya, President of the Southern Africa Black Taxi Association. This gallant Zulu businessman risked having his house fire-bombed by testifying against this bill. He thanked the members of Congress for their obvious sympathy for the victims of apartheid--a system he denounced most eloquently--but asked that they find some more benign way of expressing their

• PO Box 1385 • Fairfax, Virginia 22030 •

indignation which did not destroy the livelihood and bargaining power of his people and give such encouragement to the reactionary Conservative Party, which seeks to oust the present government and restore the harsher apartheid of the 1960s.

Is the issue a question of trying to punish those responsible for the harsh overreaction to the provocations of teenage rioters or who authorize the pursuit of guerillas across international borders and blow up their safe houses abroad, killing innocent civilians in the process? If so, we should ask whether those most impacted by our total embargo will be those responsible for these offenses. And we should ask whether we are prepared to apply the same penalties against our friends when they yield to the impulse to engage in hot pursuit of terrorists. Should we invite other countries to discipline us for our attempts to discipline Libya?

Would the departure of the remaining American companies, the members of the U.S. Corporate Council (Sullivan signatories) help the forces working for more rapid change? Would that struggle be helped by the replacement of American firms by local companies without the same social agenda and the same willingness to pressure the government for the release of detainees?

The suppporters of this bill should consider how our government should respond to the protests of our trading partners that this bill, if enacted, will violate our obligations under the GATT. And since there has already been a demarche from the European Community about the extraterritorial pretensions of the bill, they might also consider what advice they might wish to give to the Department of State on how to reply.

We would urge the members to prefer pragmatism to posturing, to shun the world of fantasy in favor of the real world of facts. In the fantasy land of the sanctioneers, the capitals of the world, and most notably Pretoria, are looking anxiously to Washington for "signals" to determine how they should conduct their internal affairs. In this world of dreams, apartheid is sustained and supported by industrialization and by foreign trade and investment, so that it would collapse if these props were removed.

In the real world, foreign regimes, whether in Pretoria or Panama City, are strengthened by American attempts to punish and coerce them. It is a world in which feudalism, apartheid, or other hierarchical systems of discrimination can thrive in traditional agricultural societies but disappear under the forces of industrialization and urbanization, although the life of these archaic systems can be prolonged in an atmosphere of nationalism engendered by inept foreign intervention.

In deciding how they can best help the victims of apartheid, we would urge the members to consider the blacks of South Africa have expressed their views on sanctions and disinvestment in a dozen opinion polls under different auspices but all designed to protect the confidentiality of respondents. This evidence, showing about three out of four against these punitive measures, seems to us more persuasive than the speeches of certain politicians and churchmen who are carefully protected against the impact of the punishment they would apply to others.

When a therapy has been demonstrated to be unsafe and ineffective, the answer is not to double the dose, as we are now being invited to do by the sponsors of this bill.

Paul A.

phelps dodge Corporation 2600 N. Central Avenue, Phoenix, AZ 85004 • (602) 234-8100

G. Robert Durham
Chairman of the Board and President

June 13, 1988

The Honorable Dan Rostenkowski
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Rostenkowski:

Congress is presently considering legislation which, if enacted, will bar most United States trade with South Africa and will require U.S. firms to withdraw their investments in South Africa. As a U.S. company with operations in South Africa, we believe that such legislation is counterproductive and misguided. This letter is to report to you on our interests in South Africa, why they are of economic importance to our company, and why we believe disinvestment would be harmful to the very individuals it is designed to benefit.

Phelps Dodge Corporation at present has one small operation and one significant investment in South Africa. Our wholly owned subsidiary, Phelps Dodge Mining (Pty.) Limited, owns and operates a fluorspar mine and mill in the western Transvaal and conducts exploration in South Africa and elsewhere in southern Africa. It employs about 185 people. Black Mountain Mineral Development Company (Pty.) Limited, in which Phelps Dodge Corporation owns a 44% interest, employs 1,500 people and operates an important lead-silver-zinc-copper mine in the Cape Province. The remaining 56% interest is held by Gold Fields of South Africa Limited, which is the operator and has managerial control of the project.

Phelps Dodge Corporation is an original signatory company to the Statement of Principles (formerly the Sullivan Principles). Phelps Dodge Mining (Pty.) Limited's operations in South Africa are conducted in accordance with those principles.

Gold Fields, a South African company, is not a signatory to the Statement of Principles but has publicly expressed its support for the Principles' goals. Gold Fields also has adopted the "Code of Employment Practice" of the South African Urban Foundation and the South African Employers Consultative Committee on Labour Affairs. This Code, like the Statement of Principles, commits its participants to pursuing the goals of equal opportunity for all people in the Republic of South Africa. Black Mountain, as a member of the Gold Fields Group, operates under the terms of the Code.

The book value of our South African investments and properties is $65 million and we consider these assets to be sufficiently important and valuable to justify our every effort to protect them. A statutorily required withdrawal would be tantamount to abandonment. As a result, U.S. corporations, which have an excellent record in implementing non-racial employment practices and openly opposing apartheid, will incur substantial financial losses for their shareholders. We fail to see how such action will have a positive impact on dismantling apartheid.

More importantly, we have an obligation and duty to our loyal South African employees, the vast majority of whom are non-white, to assist them in creating a new, non-racial South Africa. Many of these employees have been in our employ since our entrance into South Africa in 1970. The stress and uncertainty to these people created by the constant threat of disinvestment only serves to undermine our many worthwhile efforts in the country.

Phelps Dodge Mining (Pty.) Limited has expended significant amounts to build and support schools, medical clinics, housing and other community development programs. We have incurred large expenditures to educate and to train our employees. We have taken a number of steps in actively working for the dismantlement of apartheid in South Africa. These steps include, but certainly are not limited to:

- providing significant financial and management support for non-racial education;

- making available members of management to act as mentors for black businesses operating in white areas (a program established through the South African Institute of Race Relations);

- partially funding and signing the American Chamber of Commerce in South Africa's "We Must Get It Together" advertisement campaign;

- lobbying the Johannesburg Chamber of Commerce to support a non-racial central business district;

- maintaining membership in the U.S. Corporate Council on South Africa and making contributions for its advertisements opposing apartheid;

- attending seminars directed toward advancing black political rights;
- giving substantial financial support to various groups providing legal aid to blacks including the Legal Resources Trust, Gillette's Legal Aid Clinic and the Youth Leadership Forum; and
- providing financial support to the Urban Foundation.

The American business community has been a leader in initiating positive change in pay scales and working conditions and in developing black trade unions. U.S. companies have acted in an exemplary manner, and have focused attention on corporate social responsibility programs designed to improve the quality of life outside the workplace and to help bring about a post-apartheid society by peaceful means. Actions taken by U.S. companies have allowed responsible South African companies to undertake similar activities on a scale unprecedented a decade ago. A policy of disinvestment and sanctions will eliminate totally the positive influence which U.S. corporations have had in South Africa and bring further economic hardship and suffering to the very people the United States wishes to help.

Others share this view. Chief Gatsha Buthelezi, Chief Minister of Kwa Zulu, has argued on behalf of six million Zulus for increased American corporate presence in South Africa. Many prominent white South Africans opposed to apartheid, as well as numerous non-white South African leaders, have spoken out strongly against a U.S. policy of sanctions and disinvestment. At Phelps Dodge's annual meeting of shareholders held on May 4, 1988, a shareholder proposal requiring the company to withdraw from South Africa was defeated by 91% of the votes cast.

We firmly believe that Statement of Principles signatory companies operating in South Africa have made and continue to make many substantial and worthwhile contributions to non-white South Africans in the areas of, among others, compensation, education, training and community development. Phelps Dodge Corporation believes that its presence in South Africa exerts a positive influence. We believe that social betterment for all of South Africa's people will be an inevitable result of a healthy and growing economic system, and that without that circumstance, there can be little, if any, real social progress.

Phelps Dodge unequivocally abhors apartheid. That system of racial discrimination is legally and morally indefensible, and one which undoubtedly prevents South Africa from achieving its full potential. Disinvestment, however, will not achieve the objectives suggested by its supporters. It will simply harden attitudes and make a peaceful solution to South Africa's problems even more difficult to achieve. We respectfully urge you not to support legislation requiring disinvestment.

Very truly yours,

G R Durham

THE READER'S DIGEST ASSOCIATION, INC.

June 10, 1988

The Honorable Dan Rostenkowski
Chairman, Ways and Means Committee
U.S. House of Representatives
Washington, D.C.

Dear Chairman Rostenkowski,

We strongly urge you to oppose the Dellums bill, H.R. 1580 which prohibits investments in South Africa and would jeopardize the publication of the South African edition of Reader's Digest, one of the most persuasive voices against apartheid, with a readership of 2,000,000. As a wholly owned subsidiary in Cape Town, Reader's Digest reaches 667,000 upper income, better educated Black opinion makers plus, significantly, about 496,000 Afrikaans speaking whites -to whom the anti-apartheid messages are communicated along with articles proposing constructive solutions to racial abuses.

In addition, we sell over 50,000 books to black customers each year. Many of these are in-depth educational, English usage books such as UNDERSTANDING YOUR LEGAL RIGHTS, FAMILY HEALTH, and WHAT TO DO IN AN EMERGENCY.

Should our company be forced to close due to an investment embargo, our magazine and books will be lost to thousands of black and white young readers who through our pages learn the civic virtues and skills they will need when abhorrent apartheid laws are removed.

Termination of Reader's Digest in South Africa will not only eliminate 170 of our own employees, but it will wipe out hundreds of jobs in industries that support us -- jobs mainly held by black people.

The number of such jobs can only be estimated, but there would be a direct impact on at least the following:

> 200 people in paper manufacturing. We use 2000 tons of paper annually.
>
> 200 printers. Every year we have 4 million magazines, 600,000 books, and at least 10 million promotional pieces and envelopes printed locally.

120 people who package and fold our promotional material and products from a warehouse which handles 20 million of our pieces per annum.

25 music factory workers. We press and manufacture 420,000 records and tapes annually.

3000 post office workers handling 20 million items annually for us.

As a Signatory of the Sullivan Principles, Reader's Digest South Africa is proud of the Category One rating it received this year in recognition of its support of 50 projects touching the lives of thousands of people each year. One of the more tragic aspects of Reader's Digest leaving South Africa would be the abandonment of these projects.

For forty years *Reader's Digest* has been recognized as a positive force in South Africa. Our magazine has taken outspoken positions on a number of crucial issues. *Reader's Digest* articles have often been discussed in Parliament and taken up by the other media to promote change. Here are summaries of some of the stories we have published:

WE MUST SCRAP THE GROUP AREAS ACT NOW. Published in February 1988, this hard-hitting article was hand delivered to every member of Parliament and sent to editors of newspapers and magazines throughout the country.

SOUTH AFRICA'S HARVEST OF SHAME exposes the plight of the nation's two million farm workers and their families who are open to exploitation by farmers because they have no basic legal rights. The article calls directly for the repeal of the Group Areas Act and the Land Act and encourages readers to write to their MP's.

LET'S PUT RACIALISM OUT OF WORK examines prejudice in the workplace, particularly overt racism in job advertising. We persuaded leading newspapers to refuse discriminatory advertising.

WHAT BUSINESS IS DOING TO CHANGE SOUTH AFRICA looks at the social justice programs being carried out by big business in South Africa. It tells how this has promoted Black advancement and forced the government to take steps to dismantle Apartheid.

THE BLACK SASH: WOMEN WHO RAGE FOR PEACE is the story of a group of ordinary women whom Archbishop Desmond Tutu describes as "incredibly brave." For thirty years they have fought stubbornly to rid South Africa of Apartheid, helping Blacks find a way through a maze of laws and constantly protesting injustices and suffering.

HELEN SUZMAN'S FIGHT FOR JUSTICE profiles this veteran Member of Parliament who has fearlessly campaigned for racial justice and democracy. This article was carried by a number of international Digest editions.

Archbishop Desmond Tutu's 1986 Christmas message in the December editions was published in South Africa and worldwide.

LIFE ON THE LIP OF THE APARTHEID VOLCANO examines the shift away from racism among younger Afrikaners. It encourages enlightened Afrikaners to change the thinking of their fellows.

Enclosed, along with an issue of the South African edition of Reader's Digest, is a newsletter published and distributed by Reader's Digest in South Africa for black community leaders. It announces, for example, workshops sponsored by the Rotary on language problems and gives the dates and times of seminars to assist teaching staff. Every issue encourages black school and community leaders to "tell us about your school, your community, what you would like to see happen there.".

Reader's Digest is dedicated to provide guidance and assistance to the people of South Africa's multi-cultural communities, and to helping them to take control of their own lives.

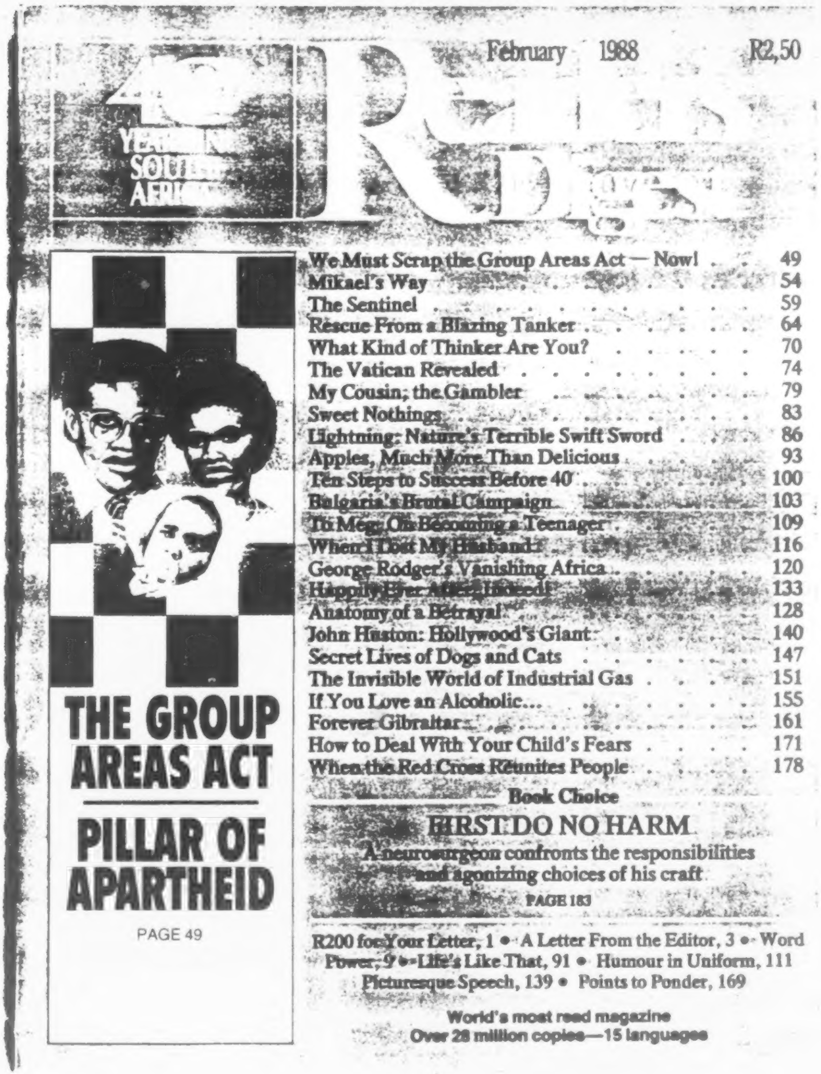
In view of all of the above, we urge you to vote against H.R. 1580.

George Grune

George V. Grune
Chairman and Chief Executive Officer
The Reader's Digest Association, Inc.

Kenneth O. Gilmore

Kenneth O. Gilmore
Editor-in-Chief
The Reader's Digest Association, Inc.



40 YEARS IN SOUTH AFRICA

Reader's Digest

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PILLAR OF APARTHEID

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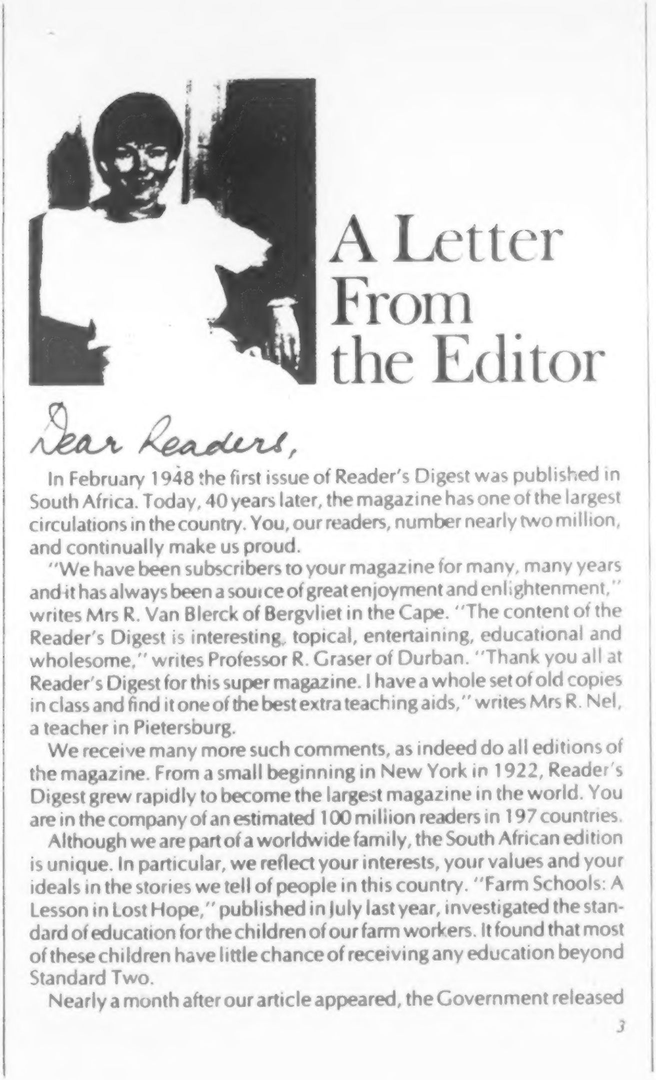


A Letter From the Editor

Dear Readers,

In February 1948 the first issue of Reader's Digest was published in South Africa. Today, 40 years later, the magazine has one of the largest circulations in the country. You, our readers, number nearly two million, and continually make us proud.

"We have been subscribers to your magazine for many, many years and it has always been a source of great enjoyment and enlightenment," writes Mrs R. Van Blerck of Bergvliet in the Cape. "The content of the Reader's Digest is interesting, topical, entertaining, educational and wholesome," writes Professor R. Graser of Durban. "Thank you all at Reader's Digest for this super magazine. I have a whole set of old copies in class and find it one of the best extra teaching aids," writes Mrs R. Nel, a teacher in Pietersburg.

We receive many more such comments, as indeed do all editions of the magazine. From a small beginning in New York in 1922, Reader's Digest grew rapidly to become the largest magazine in the world. You are in the company of an estimated 100 million readers in 197 countries.

Although we are part of a worldwide family, the South African edition is unique. In particular, we reflect your interests, your values and your ideals in the stories we tell of people in this country. "Farm Schools: A Lesson in Lost Hope," published in July last year, investigated the standard of education for the children of our farm workers. It found that most of these children have little chance of receiving any education beyond Standard Two.

Nearly a month after our article appeared, the Government released a report, "The Provision of Education for Black Pupils in Rural Areas." We are pleased to note that many of the recommendations called for in the report deal with the problems highlighted in our article and that the Government has committed itself to upgrade rural education.

We live in a land of different cultures, different values, and often we forget that we have a common bond in our humanity. This is a bond that holds you, our readers, together and that we, as editors, cherish. Where we see that bond threatened, we shall not hesitate to speak out.

This year marks another 40th anniversary in South Africa: the coming to power of the National Party and the stubborn campaign to keep people apart through legislation. Certainly, there were discriminatory laws before the National Party took over, but nothing compared to what came after. One of the most sweeping laws brought in by the new Government was the Group Areas Act of 1950. During the next three decades, whole communities were uprooted in the name of this Act when thousands of people were forced to leave their homes.

In a special report which appears on page 49, Reader's Digest Associate Editor Murray McNally uncovers the hardship the Group Areas Act has brought to so many people. "I knew that the Act was the major force behind apartheid," says McNally. "But it was only after I had interviewed victims of evictions throughout the country that I realized just how responsible it is for the suffering and lack of dignity that has inspired so much racial hatred and suspicion. It is clear that white South Africans have been cocooned by the Act for decades."

Tracking down people willing to talk was not easy. McNally found that many victims of the Act living in areas illegally were wary of him. It was only with the help of organizations like the Black Sash, Actstop and the Durban Central Residents' Association that he managed to gain their confidence.

We have sometimes been criticized as being unpatriotic in our support for human rights in this country. But the day when we no longer need to publish articles calling for the abolition of discrimination will be a day when we can all be proud to call ourselves South African. We will be loyal to that ideal just as you have been loyal to us over the years.

Thank you for that loyalty. We look forward to spending many more years with you.

Wendy Pankhurst

Wendy Pankhurst

VOLUME 132 Reader's Digest FEBRUARY 1988

Articles of enduring significance, in condensed permanent booklet form

We Must Scrap the Group Areas Act NOW!

This cruel law has haunted the lives of millions of South Africans for nearly 40 years. It denies the majority of our citizens from exercising their democratic right, as human beings, to stay where they choose

By Murray McNally

Controversy erupted in political circles last October when the Government accepted a proposal to amend the Group Areas Act to open certain residential areas to all racial groups.

For the Conservative Party, the proposed amendment goes too far, putting the very survival of white society at risk. For the liberals, on the other hand, it serves only to legalize what is already a *fait accompli*. "The Group Areas Act has been the single biggest cause of untold human misery since the National Party came to power," says Tian van der Merwe, Progressive Federal Party MP for Green Point and founder of the Group Areas Problems unit, a Cape Town based organization which offers advice to victims of the Act. "The time for amendments is gone — we need to abolish it altogether."

Two years ago, the Government declared that apartheid was dead. Since then, there *have* been moves away from institutionalized discrimination: the Mixed Marriages Act has been abolished, influx control has been done away with and, with it, the dreaded pass books. There is no denying that these are major changes, yet the Government still insists on separating residential areas along racial lines.

Nearly a million South Africans have been uprooted and resettled since Daniel François Malan piloted the Group Areas Act through Parliament in 1950. Significantly, 98 per cent of the victims have been non-white. Forty years ago, Sophiatown was a bustling mixed suburb west of Johannesburg – an embarrassing contradiction to the Government's fledgling apartheid policy. In 1956 it was declared a residential area for whites and non-whites were told to move. Within four years, Sophiatown had been razed to the ground and, with bitter irony, the new white suburb that rose from its rubble was named Triomf.

Thousands of people who had lived in well-run communities suddenly found themselves in turmoil. Don Mattera was 24 years old when he witnessed the demolition of his family's five-roomed home of 50 years in Gerty Street, Sophiatown. "We all wept as the bulldozers destroyed in hours what had taken a lifetime to make a home," Don recalls.

Today Don is 52 and the editor of a black business magazine. He has written a book on the Sophiatown evictions, *Memory Is the Weapon*, published by Ravan Press.

Whole communities collapsed as the Government put its racial policies into practice. In 1966, District Six on the outskirts of Cape Town was declared white. Over the next 15 years more than 50 000 coloured people were forced from their homes and resettled on the windswept Cape Flats. District Six was flattened, renamed Zonnebloem and opened for white residential development. However, the planned white influx never materialized. Capetonians were enraged at the loss of a thriving, picturesque community. For the last 20 years, this prime residential area has remained undeveloped. Today, Zonnebloem is a barren scar on the slopes of Table Mountain.

Tense Situation. One of the worst results of mass removals has been the soaring crime rates. Fuad Patterson and his family were moved from District Six to Mitchell's Plain, a sprawling satellite suburb 30 kilometres from the city centre. Not only were they burdened with increased transport costs, but they also found themselves living in fear. Each day Fuad walks to the station, he runs the gauntlet of marauding gangs that he believes grew out of a community that has lost its self-respect.

"When we were evicted from District Six we lost more than our home. We lost neighbours and friends whom we could rely on in times of sickness or other misfortune," says Fuad. "The Government gave us another home, but it couldn't give us a sense of belonging."

Many suburbs have been happily

mixed for years, yet the Government continues to try to enforce the law. Lansdowne in Cape Town was declared a white group area in 1961, forcing hundreds of coloured families to leave. Three years ago, the remaining 51 families were warned to move and many did. A survey of white residents at the time showed that 889 out of 989 Lansdowne households wanted them to stay. But by May last year, only 19 families remained.

A campaign mounted by the Black Sash and Tian van der Merwe to prevent their removal culminated in an 11 000-signature petition. The Government relented, but warned the families – many of whom have lived in Lansdowne for generations – that when the registered owner dies, their heirs will not be able to take transfer.

Fatie Maker, 67, has spent thousands of rands renovating his two-bedroomed cottage in Belgravia Avenue, Lansdowne, where he has lived for 28 years. "I have spent my life paying for my house and turning it into a home for my children," says Maker. "Now I dread the thought of dying."

A massive backlog in housing for non-whites has brought about a changing racial structure of certain urban neighbourhoods in defiance of the Group Areas Act. An estimated 45 000 non-whites are living illegally in so-called "grey" areas in Johannesburg's teeming flat-land suburbs of Hillbrow and Berea.

Mandlenkosi Nkosi, 26, and his fiancée live in a flat in Hillbrow. They moved there from Meadowlands, Soweto, four years ago because they were fed up with sharing a three-roomed house with 13 other people and waiting for the authorities to allocate them a home of their own. A month after moving into the two-roomed flat, Mandlenkosi opened the door to a police officer and was taken to the John Vorster Square police station where his papers were examined and he was advised that his occupation was illegal. He has been questioned by the police five times since then, but has managed to evade eviction.

No Logic. Mandlenkosi is used to the trauma wrought by the Group Areas Act, but is angered by its senselessness. "If I can afford to pay the rent, I don't see why I can't choose to live in a decent home," he says.

Pressure for accommodation for blacks has forced the Government to recognize these "grey" areas and others, such as Woodstock in Cape Town and Albert Park in Durban. However, in spite of assurances that no-one will be evicted from these areas, harassment continues.

White Durban storeman, Bill Daglish, and coloured factory supervisor, Rebecca, were evicted from their Aliwal Street flat when the Government warned landlords last year that allowing disqualified people to occupy their buildings was illegal.

"We were fortunate to find another flat in the same area with an understanding landlord," says Bill. "But even so, Rebecca keeps a low profile in case someone objects and the landlord is forced to give us notice. We would like to get married — but then we would *have* to move."

While the Government has repealed the Mixed Marriages Act to allow interracial unions, the Group Areas Act bars mixed couples from living in the area of their choice. The intricate apparatus of the law dictates that the non-white partner can only live in a white residential area if they obtain a permit.

Couples have landed in impossible situations. White Durban businessman Jimmy James, 67, has owned his R150 000 luxury beach front flat since the building was erected in 1979. Last May, he was one of more than 100 people whom the Department of Development and Planning served with notices informing them that their property was to be sold by enforced sale.

How could this happen? Simple. Jimmy became an illegal resident when he married his Indian wife, Shan, at Durban's Emmanuel Cathedral in 1985, after the Mixed Marriages Act was repealed. Unless he can obtain a permit to allow his wife to live with him, Jimmy will have to move.

In today's atmosphere of reform, what is it that makes the Government so reluctant to commit itself to abolishing the Group Areas Act?

Two of the most abiding fears — that allowing blacks into white areas would cause property prices to drop and that residential integration would cause an increase in crime — have been challenged by studies that were conducted last year by the South African Institute of Race Relations.

Firstly, the Institute found that when blacks move into white areas they do so in an effort to improve their living standards and therefore have a vested interest in ensuring that these standards are maintained. Where black people have been permitted to buy in white suburbs, property prices have risen.

The second study involved an analysis of crime statistics at 13 police stations on the Reef. Results showed there was little, if any, correlation between the incidence of crime and the racial mix of Johannesburg's suburbs.

Although the Government forthrightly rejects calls for the scrapping of the Act, many critics of apartheid have been encouraged by its support for legalizing grey areas. However, others see the Government's hesitant reform initiative as attempting to be all things to all people — assuring the right-wing voters that the policy has not strayed from basic doctrine while portraying an image of fairness to foreign critics.

President Botha has vowed to tighten Group Areas legislation in areas which remain segregated. "The opening of specific areas is an important adjustment and it is of the utmost importance that it should be implemented on an orderly basis," he warns. "The Government intends to enforce the existing provisions of the Group Areas Act until such time as the amended legislation comes into force."

In part, he is reacting to a very real threat. Already, the Blanke Bevrydingsbeweging (White Liberation Movement), an ultra-right organization, has thrown down the gauntlet by challenging the Government to police the Group Areas Act in Mayfair, a "grey" Johannesburg suburb, by evicting illegal residents. The movement has vowed that if this is not done by the end of February, it will take the law into its own hands.

"This kind of provocation is a threat to public safety," says Mohammed Dangor, spokesman for Actstop, a Johannesburg-based organization that calls for the scrapping of the Act. "The Government must maintain law and order — just as it does when blacks express their views through protest."

Many reformists hope that the Act will soon become so watered down that it will quietly disappear from the statute books. John Kane-Berman, Director of the Institute of Race Relations, believes the retreat from the Group Areas Act and apartheid in general has been gathering momentum ever since the white labour surplus dried up in the early 1970s and the Government was forced to allow the training of blacks for semi-skilled jobs in white areas. "The Act began to crumble when the Government failed to evict supposedly illegal people," he says. "Now it has given an official seal of approval to such areas, and even provided mechanisms for the proclamation of new ones."

South Africa can ill afford the Group Areas Act, says Gavin Relly, chairman of Anglo American. "The Act is a major constraint on the progress of urbanization which is necessary to the industrialization process and to the maximization of employment opportunities."

The Government will remain a prisoner of its racial nightmare until its grudging, tortuously tentative reform process is speeded up. Says the Reverend Allan Hendrickse, leader of the Labour Party, "In the interests of a peaceful solution in South Africa this reprehensible Act must be wiped out."

The Government can be pressured into action. If you want the removal of this discriminatory legislation, write to your local MP or to the Deputy Minister of Constitutional Development and Planning, Private Bag 644, Pretoria, 0001.

Out on the Tiles

MY HUSBAND, a self-employed tile layer, had taken me out for dinner on my birthday, but had disappeared into the kitchen with a waiter at the end of the meal. After half an hour, I looked into the kitchen and was amazed to see him working on the tiles there.

He told me that he had left his wallet at home. The restaurant manager had agreed to let him take off old tiles in the kitchen and quote for new tiling, less the cost of our dinner. I didn't have the heart to tell him that I had his wallet in my handbag.

Maureen Keane

AGAP DIGEST

FREE FROM THE READER'S DIGEST — MANENBERG. MAY 1987

Are your children really safe at home?

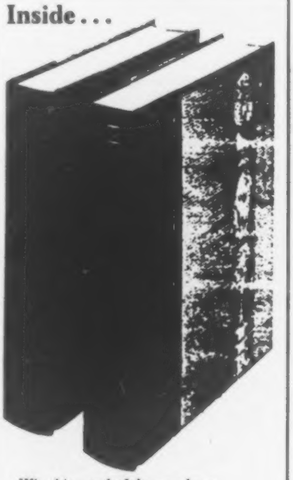
Local social workers are alarmed at the increasing number of cases of child sexual abuse and incest being reported.

In an attempt to help prevent this kind of crime, they have identified a number of key factors promoting such abuse. Firstly, there is the problem of overcrowding, where the accommodation of an often extended household leads to a lack of privacy, resulting in inappropriate sexual stimulation of other members of the household.

Secondly, drug and alcohol abuse over a long period can affect the user's mental state or sense of morality or responsibility, and culminate in the sexual assault of children.

Thirdly, changing roles in the family can also have a negative effect. In many cases, traditional family roles are upset by the man and breadwinner losing his job and his wife being forced to seek work outside the home. The sense of inadequacy and failure on the man's part can lead to child sexual abuse.

Inside . . .



Win this wonderful two-volume dictionary. Reader's Digest Great Illustrated Dictionary, *valued at R100. See inside for details.*

The story of Susan (not her real name) is just one example of the many cases social work agencies, hospitals and other community organisations are encountering. Susan is nine years old and in Std 1 at a primary school in Manenberg. A very cheerful, popular child, her behaviour suddenly changed two months after her ninth birthday: she became withdrawn, frequently cried in class and her schoolwork deteriorated.

At about the same time Susan's father had lost his job and her mother found an after-hours job cleaning offices to support her family. Susan's teacher initially thought this to be the reason for her change in behaviour, but when there was no improvement after two weeks, she sent for the father. He refused to come to the school. Because Susan's mother could not stay away from work, the teacher took Susan to a social work agency.

After careful assessment and the development of a trusting relationship, it was revealed that Susan's father had kept her at home one day and sexually molested her. Her brother, aged 15, returned unexpectedly from school and saw what was happening. He in turn threatened to tell their mother if Susan did not extend her 'favours' to him as well — whereupon both father and brother continued to molest her sexually.

Clearly the problems that might lead to such situations, i.e. overcrowding and unemployment, must be dealt with practically. But equally important is the role of the community in helping to prevent this type of crime or in recognising the problem promptly when it does occur so that proper treatment can be given.

To help achieve this, AGAP has organised two workshops on child sexual abuse, to be held on the afternoons of 14 and 18 May, and has issued an open invitation to all primary school teachers to attend. There are two main goals: educating teachers in the realities of child sexual abuse, and encouraging them to educate the children (i.e. the victims or potential victims or perpetrators) so that action can be taken towards the prevention of such abuse.

Topics that will be covered include the forms of abuse; detection, referral and treatment in such cases; the medical and psychological effects on the victim; and the law and what it means for the victim and the offender. These will be introduced by expert guest speakers, with audio-visual presentations and discussions. Contact AGAP for further details.

Working out language problems

The students of our community are faced with many problems at home, at school and in their general social environment.

AGAP renders its services to students who experience difficulties within the spheres of education. During a needs assessment carried out by two Western Cape University students, various problems in education came to the fore, including poor school performance, insufficient educational environment, limited access to literature, etc. One of the major problems at primary school level was the serious difficulty in spelling, limited not only to English second language pupils, but including the first language pupils.

AGAP has organised a series of four workshops on spelling for all the Std 5 pupils in the Manenberg/Heideveld district. During these workshops, attention will be focused on the importance of phonetics (sounding of words), on the use of the same sounding words in various contexts, etc. The first of these workshops, held on 26 March at the Rotary Club in Strandfontein, was attended by a total of 220 pupils from six primary schools. The remaining seven schools will be involved in the second workshop to be held on 9 May.

AGAP also hopes to assist teaching staff, who need input on this subject. The first language teachers' seminar will be held on 26 May and will be presented by M Archer from the Language Education Unit at the University of Cape Town.

AGAP: What it could mean for you and your community

AGAP is a community organisation, founded in 1979 after a number of educators in the Manenberg area had for a long time experienced the frustration of having to 'deliver the goods' in circumstances that did not enhance proper education.

One of the problem areas identified was the lack of proper guidance in schools. In many cases the subject Guidance was taught by teachers with no interest in the subject, but who needed a few periods to complete their subject allocation. During a discussion with the local subject adviser for Guidance, it was agreed that a workshop for Guidance teachers of Manenberg, Heideveld and Bridgetown would be held in August 1979. Forty-two teachers attended the workshop, run by three local teachers. At the end of this, everybody felt that there was a need to share ideas on a more permanent basis. At a consequent meeting held in September 1979, 26 of the original 42 teachers decided to form the ASSOCIATION FOR GUIDANCE AND ASSISTANCE TO PUPILS (AGAP).

They stated: 'The name of the organisation is of particular importance to us, because AGAP started because we became aware of a gap (in fact, many gaps) in the existing educational structure. Initially we were naive enough to think in terms of filling a gap, but through experience we became more realistic and started thinking in terms of focusing on a gap.'

Through their association with AGAP they have become aware of so many gaps in education that they say they may have to think in terms of a total change in education rather than in focusing on gaps.

The organisation set out to assist in making education more meaningful to pupils. Its stated aims are to enlighten the community with regard to the needs of pupils with the aim of mobilising community resources towards the improvement of social conditions and educational facilities; to give guidance and assistance to pupils with regard to their social, economic and educational needs with the aim of equipping them for the tasks and challenges that face them; and to support and inspire teachers in their task of educating the whole child. Since its founding AGAP has pursued these aims in a dignified, but determined way.

AGAP provides the following services:

- a schools' counselling service
- a soup kitchen project
- pupil workshops
- youth camps
- group work activities
- teacher support programmes
- computer classes for teachers and pupils
- parent involvement and participation

Above: AGAP staff members Vivien Benjamin, Aziza Israel and Salie Abrahams.

Staff report

It is with great enthusiasm that we as staff of AGAP embark on this first attempt at issuing the Manenberg community with an AGAP DIGEST. We hope to inform you on a quarterly basis of the activities, programmes, projects, meetings and seminars that AGAP organises throughout the year. This newsletter should be used by students who wish to further their literary skills by approaching the AGAP offices to publish articles and stories they have written. In this way the dormant talents of our youth could be evoked and kindled.

Dit is uiters belangrik dat die AGAP DIGEST die belangstelling van onderwys lede en studente ontwikkel. Dit gee skole 'n geleentheid om probleme mee te deel en saam met AGAP te kyk na verskillende wyse om hierdie probleme aan te pak. Dit is die hoop van AGAP werkslede dat die AGAP DIGEST van baat sal wees tot ons gemeenskap en dat dit voort sal leef in die toekoms.

Deur Reader's Digest se finansiële bystand is dit moontlik vir ons om die drukwerk van die AGAP DIGEST te bekostig. Ons bedank Reader's Digest vir hul toewyding en belangstelling nie net in AGAP nie, maar in ons gemeenskap op die algeheel.

Schedule for 1987

MAY	
6 May	**Mathematics workshop**
14 May	**Teacher seminar: Child Sexual Abuse (part 1)**
18 May	**Teacher seminar: Child Sexual Abuse (part 2)**
26 May	**Teacher seminar: Methodology to Help Teachers Teach Spelling**
JUNE	
8 June	**Monthly meeting**
13 June	**English workshop**
15 June	**Youth holiday programme**
JULY	
13 July	**Monthly meeting**
18 July	**English workshop**
25 July	**Youth conference**
AUGUST	
5 August	**Careers evening**
10 August	**Monthly meeting**
18 August	**Teacher seminar**
29 August	**English workshop**
SEPTEMBER	
14 September	**Monthly meeting**
22 September	**Youth conference**
29 September	**Second AGAP conference**
30 September	**Second AGAP conference**
OCTOBER	
1 October	**Second AGAP conference**
19 October	**Annual general meeting**

For further information on these programmes or any other additional programmes needed, contact the office at 638-5176/7.

AGAP wants to hear from you! Tell us about your school, your community, what you would like to see happen there, what AGAP can do to help. Send your letters to AGAP News and Views, The Methodist Day Care Centre, cnr Klipfontein and Comet Rds, Surrey Estate 7764.

And here's the best news! The top letter selected each issue wins a two-volume dictionary, Reader's Digest Great Illustrated Dictionary, *donated by Reader's Digest.*

ONS DORP MANENBERG

Hier in Manenberg is daar baie speelgronde geleë waar die kinders na hartelus kan speel. Daar is parke, kleuterskole en ook skole, maar jammer dis nog glad te min vir so baie kinders en studente. Manenberg het ook 'n kliniek en nogal net een en dit vir soveel duisende mense. Soggens dou voor dag staan ek al tou by die behuisingskantoor om huur te betaal. Hier in Manenberg is ook winkels en supermarkte. Ons het ook 'n groot baan waar verskillende speletjies gespeel kan word. Die Silvertree Jeug Sentrum bied nogal verskillende programme vir jongmense aan, maar weereens, waarom net een sentrum in so 'n groot dorp. Ons glo dat die owerhede ook vir ons sal help om ons dorp beter toe te rus.

Susan Petersen

EDENDALE SE KERMIS

Ons kermis was gedurende Maart. Ja nee, ons het sommer vanaf Donderdag aand tot Saterdag kermis gehou. Die Donderdag aand was daar 'n modevertoning en daar is drie van 20 deelnemers tot koningin en prinsesse benoem. Daar was 'n groot tent waarin dit alles gebeur het. Ook was daar nou sommer lekkernye om te kus en te keur. By die middag vertoning was ek so in my skik om Foschini se nuutste modes te adverteer. Die basaar was 'n volslae sukses. Ons skool het R4 500 ingesamel. Rêrig, Manenberg se mense het geld.

Fayroza Baradien

NUUS VAN EDENDALE

Edendale was nou onlangs ook op die planke. Ek is so in my noppies dat ek ook aan Mej Edendale Mode Kompetisie kon deelneem. Toe ek al die wonderlike dames vir die eerste keer op die verhoog sien, het ek regtig gedink ek staan nie 'n kat se kans nie. Maar wie sê, toe hulle die finaliste se name aankondig, was ek te windmaker om een van Edendale se prinsesse te kan wees. Ons hou weer volgende jaar so 'n spoggerige vertoning. Dames begin nou al om julle reg te kry.

Geraldine Ambraal

'N ONVERGEETLIKE KERMIS

Ons skool het 'n kermis in Maartmaand gehad. Daar was verskriklike interessante dinge. Die program was sommer opwindend. Edendalers het deelgeneem aan Modern Jazz, Madonnadanse en Langarmdanse. Daar was broodrolletjies, koeldrank en boerewors te koop aangebied. Saterdag het die trompoppies die hele Manenberg op hol gemaak. Ek glo nie daar is mense wat nie agterna gestap het nie. Die dag is onvergeetlik want daar was pryse om te wen.

Michelle Abrahams

SOPKOMBUIS BY ONS SKOOL

Verlede jaar het ons skool 'n sopkombuis gehad. Die meerderheid kinders het sop geneem. Ons leerkragte doen moeite om ons kinders te voed. Ons skool het daardeur ook wonderlike hoogtes bereik. Ons ouers het baie bygedra om alles vlot te laat verloop waar die nood groot is. Ek dink Edendale is so 'n geseënde en goeie skool. Mense wat probleme het by hul huise, onthou Edendale is daar om te help. Baie mense hou van Edendale skool. Ons het ook 'n voltydse werkster, Mev Arendse, wat mense verskriklik baie met huis probleme help.

Charmaine Adams

WISKUNDE IS WONDERLIK

Ek is 'n St 5 leerling aan die Edendale Primêre Skool. Die vak waarvan ek die meeste hou is wiskunde. My onderwyser is Mnr D Daniels. Alhoewel die vak my heelwat probleme gee, is dit nogtans 'n baie interessante vak, want 'n student sonder wiskunde is sekerlik verlore. Sonder my onderwyser sou ons nie so goed kon vaar nie. Ons hoof spog nogal graag met ons prestasie. Aan die einde van elke kwartaal word 'n trofee gegee aan die leerling wat die beste in wiskunde presteer. 'n Mens wens darem regtig om met so 'n blink beker deur die straat te kan stap. Aan my St 5 makkers wil ek net sê: Moenie vergeet om jou onderwyser te vra watter tuiswerk daar elke dag is.

Jacqueline Abels

IETS UIT DIE VERLEDE VAN EDENDALE

Verlede jaar was daar opwindende pret en pryse wat gewen was. Die mooiste van alles was die gewyde konsert, by naam 'Die Geboorte van Christus'. Baie van die leerlinge het deelgeneem aan die opvoering. Om so pragtig in engelklere opgetooi te kon wees, was net wonderlik. Die saal was stampvol, die vertoning puik en die gehoor het mooi saamgespeel. Ons is bly dat die boodskap ook so kon uitkring om baie ander te bereik.

Andrewina Roberts

EDENDALE PRIMÊRE

Die mense praat soms snaaks van 'n skool. Ek dink ons skool is 'n baie goeie skool. Ons samel geld in vir arme kinders wat nie elke dag brood het nie. By ons skool kry die kinders elke dag brood. In die winter kry ons kinders sop en ook gekookte maaltye by ons skool. Ons skool het ook 'n spoggerige basaar gehou. Baie mense van Manenberg het gekom. Ons skool word ook mooi gemaak. Ek is 'n leerling aan Edendale Primêre Skool en ek probeer om ons skool se naam hoog te hou.

Abeeda Harris

The hug of life

A piece of food or some other substance stuck in the airway will cause choking. In severe cases the victim cannnot breathe at all, and, if left untreated, will die.

It is vital to act promptly as — with a complete obstruction of the airway — asphyxiation quickly occurs.

Suspect choking if a casualty who is unconscious and not breathing is found anywhere near an eating area. However, a victim could have choked on sweets, chewing-gum or peanuts *away* from an eating area. Children can choke on toys which they put in their mouths, and adults can choke on dislodged false teeth.

Peanuts should not be given to young children — they are a common cause of choking in infants. When choking occurs, the child may have a fit of coughing and his face and neck will become congested.

He will make violent efforts to breathe. But the harder he tries to breathe in, the more firmly fixed the obstruction becomes.

Instant action is vital.

SLAPS ON THE BACK

Try to remove any obvious obstruction — for example, a piece of food — thought to be in the windpipe by giving the victim several hard slaps on the back between the shoulders while keeping the victim's head low. The slaps should dislodge the obstruction.

ABDOMINAL THRUST

A more recent method of removing an obstruction in the windpipe is the abdominal thrust, or the Heimlich Manoeuvre as it is known in America.

If an obstruction is hard to move, and slaps on the back do not work, then the abdominal thrust should be used. The abdominal thrust, with its lower and more sustained pressure, may help dislodge the obstruction altogether.

Infants and children

The abdominal thrust can be successfully given to infants and children. However, less pressure is used on them than on adults. Artificial respiration should also be given if necessary.

Adults — conscious

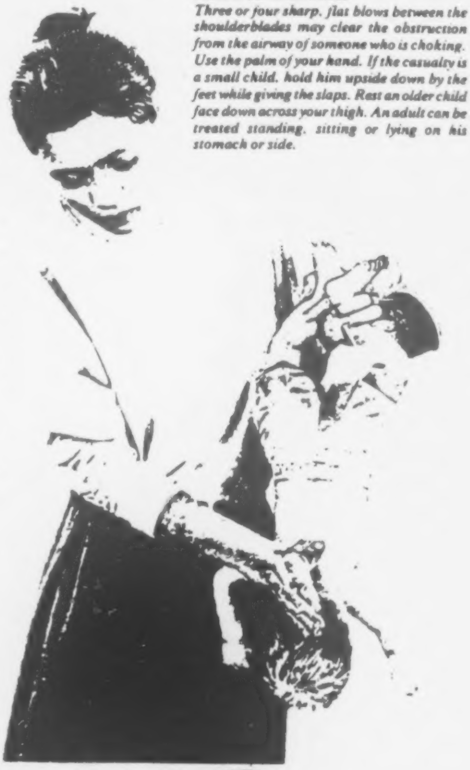
If an adult is conscious and choking, the abdominal thrust should be applied when he is standing or seated.

Adult — unconscious

If an adult is unconscious and choking, the abdominal thrust should be applied with him lying on his back.

Treating yourself

Someone who is choking can apply the abdominal thrust to himself — either with his hands or by applying pressure against the edge of a firm table or the back of a heavy chair.



SLAPS ON THE BACK

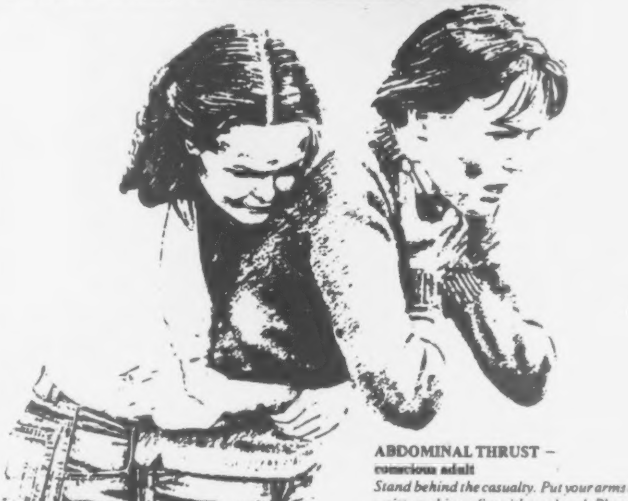
Three or four sharp, flat blows between the shoulderblades may clear the obstruction from the airway of someone who is choking. Use the palm of your hand. If the casualty is a small child, hold him upside down by the feet while giving the slaps. Rest an older child face down across your thigh. An adult can be treated standing, sitting or lying on his stomach or side.

ABDOMINAL THRUST — infants

Sit the baby on your lap, facing away from you. Put the tips of two fingers of each hand side by side, slightly above his navel. Press gently but firmly upwards.

ABDOMINAL THRUST — unconscious children

Lay the child face up. Put the tips of two fingers of each hand side by side, just above his navel. Press gently but firmly upwards. Clear his mouth of any object. Give him water to sip continuously when consciousness returns.



ABDOMINAL THRUST — conscious adult

Stand behind the casualty. Put your arms around her waist, making a fist with one hand. Place the thumb side slightly above the casualty's navel and well below her rib-cage. Hold the fist with your other hand and give three or four quick, strong pulls diagonally upwards and towards you. Use your hands to create the pressure: do not just squeeze with your arms.

Reassure the casualty. Rest her in a comfortable position and let her sip half a cup of water over 10 minutes to aid recovery. If injury to internal organs is suspected, see a doctor.

Hoe om te studeer vir sukses

Wat is studie?
Studie is die handeling van studeer (studeer beteken leer of leerstof tot eie insig en begrip verwerk).

Waarom moet jy studeer?
Jy moet studeer met 'n beroepsdoel voor oë: jy moet jou in die algemeen voorberei sodat jy eendag die beroep kan kies waarin jy belangstel, en sodat jy toelating sal verkry vir opleiding daarvoor.

Studie het dus 'n besliste beroepsdoel, maar dit het ook besliste algemeen-vormende doelstelling, want deur studie word 'n mens 'n ryker, voller en geestelik meer volwasse mens.

Eksamen- of toetskryf is 'n uitdaging, en nie 'n krisis nie. Onthou, jy hoef nie eerste te kom nie, maar moet kan sê: 'Ek het my beste gelewer.'

Studie 'moenies'
- Moenie jou werk lusteloos doen nie — studeer met 'n wil.
- Moenie voor die radio, televisie of 'n venster wat na die deur wys, studeer nie.
- Moenie ronddrentel en nie aan die werk kom nie.
- Moenie net vakke studeer waarvan jy hou nie.
- Moenie luilekker sit of lê wanneer jy studeer nie.
- Moenie vir ure aanmekaar, sonder 'n ruspouse, studeer nie.
- Moenie net studeer wanneer jou ouers of leerkragte jou aanpor nie.
- Moenie dat jou maats by jou kom gesels tydens jou studietyd nie.

Die waarde en noodsaaklikheid van 'n studierooster
- Die klem hier is op die 'beplanning' van jou studies — jy beplan vir sukses. Net soos 'n huis nie sonder 'n plan gebou kan word nie, so kan jy ook nie sukses in jou studiemetodes 'inbou' sonder 'n plan nie.
- Sukses kom alleen na harde werk: studeer dus gereeld.
- Die skoolwerk van die dag moet herhaal word. Vry[illegible] se werk word dieselfde dag nog geleer en ingeskerp. Dit is dus noodsaaklik om volgens 'n goeie beplande rooster te werk.
- Jy kweek die mooi eienskap van stiptelikheid aan, asook om gereeld en stelselmatig te werk.
- Dit gee jou die tevredenheid en kalmte dat jy jou plig gedoen het.

Die studierooster
Die doel met die studierooster is om te verseker dat uitstel nie tot afstel lei nie. Dit bevorder die vorming van gesonde studiegewoontes sodat die studies eerste aangepak word voor sport, speel en/of ander sosiale bedrywighede. Dit kweek self en verseker dat die belangrikste sake voldoende aandag kry.

Die studierooster moet voorsiening maak vir studie elke dag. Gereelde daaglikse hersiening van werk wat die dag aangebied is, is van die uiterste belang. Die volgende studie tye word aanbeveel:

St 6 en 7: middag 2—2½ uur, saans 1½—2 uur;
St 8: middag minstens 2½ uur, saans minstens 1 uur;
St 9 en 10: middag minstens 3 uur, saans minstens 2½ uur.

Die middag studiesessie is vir die verpligte tuiswerk, skriftelik en leerwerk, bv. vir toetse. As daar tyd oor is, moet dit aan hersiening gewy word.

Die aandsessie moet aan hersiening gewy word, tensy die verpligte huiswerk nie in die middag afgehandel kan word nie.

Die twee sessies per dag is nodig omdat geen mens ure lank met volle aandag kan sit en studeer sonder 'n ruspouse nie. Verstandelike vermoeienis is die grootste vyand van leervermoë. Daarom is dit nodig om die studierooster so noukeurig as moontlik na te volg.

Begin altyd met die moeilikste of 'oninteressantste' werk, of die vak waarvan jy die minste hou.

Probeer om nie langer as 30 tot 40 minute aan een vak te bestee voordat 'n ander vak aangepak word nie. Sulke afwisseling help om verveeldheid en moegheid teë te werk.

Studiemetodes en tegnieke
Daar is nie noodwendig een studiemetode wat die beste vir almal is nie. Elkeen moet egter voortdurend daarna strewe om sy/haar eie studiemetode meer doeltreffend te maak.

Die onderstaande opsomming van hoe om te studeer kan as voorbeeld gebruik word.

- Voor jy begin studeer, ondersoek die werkstuk: lees die opsomming van die hoofstuk wat jy gaan studeer vlugtig deur en let op die opskrifte van die hoofstuk. Dit sal jou 'n idee gee van hoeveel en wat jy moet leer.
- Wanneer jy 'n oorsig van die werk het, skryf vrae neer om riglyne aan jou studie te gee. Die vrae sal jou 'n idee gee van wat jy wil weet as jy klaar is met die hoofstuk. Die vrae kan ook gebruik word om jouself aan die einde van die studie-sessie te toets.
- Wanneer jy studeer moet jy stadig en versigtig lees. Maak seker dat jy verstaan wat jy lees. Skryf neer dit wat jy nie verstaan nie en soek so gou moontlik hulp by 'n vriend of leerkrag. Aan die einde van die lees-sessie moet jy die belangrikste punte vir jouself in jou verstand herhaal.
- Na die lees is dit baie belangrik om oor die werk te gaan of om dit op te sê. Dit beteken nie dat die werk van buite af, of woord vir woord geken moet word nie — dit is eintlik 'n baie nadelige manier van leer. Opsê beteken dat jy die hoofpunte moet kan onthou en verstaan.
- Doen een of meer van die volgende. Maak 'n kort opsomming van elke stuk gelees. Beantwoord die vrae wat jy neergeskryf het. Teken diagramme, prentjies of illustrasies van die werkstuk. Verduidelik die werk aan 'n maat.
- As die werk geleer is, is dit belangrik om dit gereeld te hersien. Voor jy met die volgende hoofstuk of werkstuk begin, gaan oor die vorige leerstuk en maak seker dat jy die belangrikste punte ken. En hersien al die werk weer voor die begin van die toets of eksamen.

Onthou: Werk wat jy net voor 'n toets of eksamen doen, gaan die vaste in jou geheue wees. Dit is dus raadsaam om studie-sessies doelstreffend te gebruik.

Die laaste studiesitting voor 'n toets/eksamen
Sluit jou studie af met insig in die geheel verband en met selftoetsing oor al die kernopsommings.

Dit is ook van groot belang om die nag voor die toets/eksamen goed te rus. 'n Mens vergeet baie min tydens slaap; daarom vind sommige mense dit die beste om net voor die eksamen vroeg te gaan slaap eerder as om vroeg op te staan om nog 'n laaste poging om te studeer aan te wend.

* * * * * * * * * * * *

AGAP song

We have a purpose in life
Therefore we study to strive.
We will not drop out and say
Too many problems today.

CHORUS
AGAP, yes AGAP, will help us to serve
In our community. (2×)

Children are suffering and cry.
Parents are struggling but try.
We all must work not wait,
Before it may be too late.

Now we are young girls and boys
With all our sorrows and joys.
But, we will grow up too
Then we'll know what to do.

COMPOSED BY B F MAY

* * * * * * * * * * * *

Quick quiz to brush up your language skills

Test your adverbs and adjectives by choosing the proper word from each pair in the brackets. Use this test as a drill to perfect your language skills — repeat the test until you can give all the correct answers quickly.

1 You did (well/good) in your test.
2 The new scrum half passed the ball (well/good) during the entire game.
3 He did very (badly/bad) in the exam.
4 He feels (sad/sadly) about the loss of his dog.
5 The shoes feel (badly/bad) on my feet.
6 The green chair looked (good/well) in the living room.
7 This stew tastes (horribly/horrible).
8 Even though I burned my tongue, I can still taste (well/good).
9 My chances for a raise look (slimly/slim) at the moment.
10 The water feels (coldly/cold).
11 The doctor said her chances for a full recovery look (well/good).
12 The new wicket keeper looks (good/well) in practice.
13 The flowers look (beautiful/beautifully).
14 This silk feels so (softly/soft).
15 Her voice sounded (harsh/harshly).
16 That perfume smells (divine/divinely).
17 I did my homework (easily/easy).
18 He writes his papers more (legible/legibly) than I do.
19 This horse runs very (fastly/fast).
20 She takes him too (serious/seriously).
21 I saw the mistake (plainly/plain).
22 He dances (wonderfully/wonderful) well.
23 She treated him very (cruel/cruelly).
24 Let's do the job (different/differently) the next time.
25 Go (straight/straightly) to bed.
26 You must play (fair/fairly).
27 Breathe (deep/deeply) and say 'ah'.
28 You must work (hardly/hard).
29 She sees (well/good) with her glasses.
30 My sore hand feels (awfully/awful).

Answers
1 well 2 well 3 badly 4 sad 5 bad 6 good 7 horrible 8 well 9 slim 10 cold 11 good 12 good 13 beautiful 14 soft 15 harsh 16 divine 17 easily 18 legibly 19 fast 20 seriously 21 plainly 22 wonderfully 23 cruelly 24 differently 25 straight 26 fair *or* fairly 27 deep *or* deeply 28 hard 29 well 30 awful

MILLS LITHO

PREMARK
INTERNATIONAL

Warren L. Batts
Chairman and
Chief Executive Officer

Premark International, Inc.
1717 Deerfield Road
Deerfield, Illinois 60015
312-405-6300

June 9, 1988

Chairman Dan Rostenkowski
c/o Mr. Robert J. Leonard
Chief Tax Counsel
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D. C. 20515-6348

Re: H.R. 1580 - Anti-Apartheid Amendments Act of 1988

Dear Chairman Rostenkowski:

Premark International is a diversified international company with $2 billion in sales which maintains its corporate headquarters in Deerfield, Illinois.

One of our operating units--Tupperware--has a small operation in South Africa. It represents only 1% of our sales and profits, and its loss through mandatory disinvestment would not be a major financial burden to Premark. However, because of its involvement in the fight against apartheid through education, community development, and social justice projects, its disinvestment would be a serious loss to the many non-whites affected by its presence.

Three members of our Board of Directors recently visited Tupperware South Africa to reassess our presence there. The group spoke with dozens of black and white South Africans of all points of view, including many in leadership positions in the black communities. We are more convinced than ever that the economic slowdown caused by sanctions and disinvestment will fall disproportionately hard on blacks, will not contribute to the dismantling of apartheid, and is opposed by the great majority of black South Africans.

Disinvestment by American companies will remove from South Africa one of the most positive forces for change, both in business and in the society at large. For example, our Tupperware subsidiary, although small, has helped fund a medical clinic, a legal clinic, an old age center, a primary school, and preschool child care, as well as housing loans and scholarships for black employees. In total, Tupperware South Africa's contributions to community projects total more than 12% of its payroll. Beyond its financial commitments, Tupperware people of all colors work closely with non-white South

Page 2
Chairman Dan Rostenkowski
June 9, 1988

Africans to design and implement these programs. As importantly, through its normal business, Tupperware trains literally thousands of non-white South Africans to be independent sales dealers, a significant contribution in a country where the black unemployment rate is over 30%. We know that other American companies have similar achievements and that American companies have led the change toward equal economic opportunities throughout South African industry. To require disinvestment by Tupperware and other American companies is to neutralize valued allies in the struggle against apartheid and to withdraw some of the most effective builders of a post-apartheid society.

It is most ironic that sanctions and disinvestment are being considered by the Congress as a means of helping black South Africans. The results of the 1986 sanctions--higher black unemployment, withdrawal of American companies and their social commitments, and a dangerous swing to the right by the government--have all been negative for blacks. Most black South Africans realize that further sanctions will only make the situation worse. Unfortunately, their voices are not being heard in Washington because a few prominent South Africans are erroneously assumed to speak for the millions who will be hurt by United States policy.

Congress should not pursue this course of action without a responsible understanding of the effects it will have on many innocent people. I ask that you personally satisfy yourself as to the true consequences of sanctions and disinvestment and cast your vote against them.

Sincerely yours,

Warren Batts

Sooner Pipe & Supply Corporation
FIRST NATIONAL TOWER • PO BOX 1530 • TULSA, OKLAHOMA 74101

COMMITTEE ON
RECEIVED
JUN 16 1988
WAYS AND MEANS

June 14, 1988

The Honorable Dan Rostenkowski
2111 Rayburn House Office Building
Washington, D.C. 20515-1308

Dear Congressman Rostenkowski:

The House of Foreign Affairs Committee recently passed H.R. 1580, and the bill is currently expected to come up for a vote before the full House sometime during the next two weeks.

As an individual and a businessman, I solicit your help in removing Section 3 from H.R. 1580. Aside from the considerable debate as to whether comprehensive sanctions would actually help end apartheid, Section 3 of the bill contains provisions which would prohibit the Secretary of the Interior from issuing any leases for coal, oil, gas or geothermal steam to any United States company which is "controlled" (such as through the possession of voting rights) by any foreign person who holds any investment in South Africa.

- Shell -- historically a major bidder at federal OCS lease sales -- would be prevented from acquiring any new federal leases and this would potentially have a negative impact on people like you who support our activities.

- Since Shell is often the only bidder on a number of tracts at these lease sales, it cannot be assumed that other companies would automatically bid on these tracts. In any case, there would probably be a significant time delay on exploration and development activities undertaken by the industry.

The impact on the already depressed economics of Texas and Louisiana, as well as those firms in the oil service industry who do work for Shell would be substantial.

- Shell Oil Company would immediately begin eliminating 700 jobs in its exploration and production operation with the number of lost Shell jobs potentially reaching 1,700.

- The estimated potential impact on the independent contractors in the oil service industry who do work for Shell is estimated at 1,500 jobs.

PHONE 918-587-3391 TELECOPIER 1-918-587-0863 TELEX-49-2326 TWX-910-845-2170

- In addition, another 5,200 jobs outside the oil industry could also disappear.
- That's a potential of 8,500 lost jobs as a result of the impact on just one of the companies affected by Section 3 of H.R. 1580.
- When the impact on all affected companies is considered, the loss of U.S. jobs could eventually be as high as 11,000.

Shell Oil Company, incorporated in the U.S., neither controls the existence nor the activities of Shell South Africa. In fact, Shell Oil Company has no investment, operations or employees in South Africa.

Imposing the leasing ban on U.S. companies, such as Shell Oil Company which have no control over South African companies, makes little sense and is fundamentally unfair. This illogical approach was tried before with a grain embargo and the results were disastrous. The target of the embargo was unscathed and the foreign policy goals were not realized, but U.S. farmers were severely damaged.

Your opposition and help in removing Section 3, which would prevent Shell Oil Company from bidding on any future federal leases for energy development, is vitally needed.

Thank you for your help.

Very truly yours,

Henry Zarrow

Henry Zarrow
President

HZ:wp

STATEMENT OF THE SPECIALTY STEEL INDUSTRY OF THE UNITED STATES

The Specialty Steel Industry of the United States, a nonprofit trade association representing 13 U.S. producers of stainless and alloy tool steel, is pleased to submit this statement on the economic dependency of the domestic specialty steel industry on imports of chromite ore and ferrochromium from South Africa. A list of the member companies of the Specialty Steel Industry of the United States is attached to this statement.

The Specialty Steel Industry is deeply concerned with the prospect that comprehensive sanctions on South Africa may prevent specialty steel producers from obtaining the ferrochromium that is critical to the industry's survival. For this reason, the industry strongly urges adoption of Section 2 of H.R. 1580, as amended by the House Foreign Affairs Committee. That provision exempts from any import embargo strategic minerals (including ferroalloys) which the President certifies are essential for the economy or defense of the United States and are not available from alternative reliable suppliers.

THE SPECIALTY STEEL INDUSTRY IS VITAL TO U.S. NATIONAL SECURITY AND U.S. ECONOMIC HEALTH

The Specialty Steel Industry of the United States consists of U.S. producers of stainless and heat resisting steels, electrical steel, tool steel, and special alloy steels. The industry employs approximately 34,000 people, and its products are valued at approximately $4 billion. Because of their high alloy content and technical properties, specialty steels have characteristics which are critical for many defense-related and industrial applications. Indeed, specialty steels are essential for the production of all major weapons systems, as well as aircraft and other defense-related equipment.

On the industrial side, specialty steels, and in particular stainless steels, are used extensively in nuclear power plants, pulp and paper plants, and chemical processing plants. Furthermore, because of their corrosion resistant qualities, stainless steels are used throughout the food and beverage processing industries. Other significant applications include automotive exhaust systems, industrial pollution control devices, home hearing systems, and medical equipment, where uses range from the production of surgical equipment to various surgical implant devices. A healthy specialty steel industry is vital to the economic well-being of the United States. In many critical applications for stainless steels, heat resisting steels and tooling materials, there are no economic or available substitute materials.

The specialty steel industry has been repeatedly recognized as being efficient, technologically up-to-date and more profitable than the steel industry as a whole. As is discussed below, however, the very survival of this strategically-important domestic industry is tied, at this time, to the existence of a reliable supply of chromite ore and/or ferrochromium from South Africa.

THE UNITED STATES IS HEAVILY DEPENDENT ON CHROMIUM FROM SOUTH AFRICA

Ferrochromium, which is made from chromite ore, is principally used as an alloy in the production of stainless steel. In general, steel must contain at least 10 percent chromium to be considered "stainless". Many grades of stainless steel, however, contain substantially more chromium; some as much as 30 percent. According to the Bureau of Mines, "there is no substitute for chromium in its major metallurgical use in stainless steel." [1]

U.S. Dependency on South African Chromite Ore

No mining of chromite ore currently takes place in the United States. Although some deposits of chromite have been identified, they are of low quality and are not being exploited. Moreover, more than three years would be required before production could commence. [2] For these reasons, the United States is 100 percent dependent on imports for its chromite requirements. In 1987, the United States imported 482,163 tons of chromite ore, of which roughly one-half — 51.2 percent — came from South Africa.

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[1] U.S. Department of Interior, Mineral Industry Surveys: Chromium (Oct. - Dec. 1985).

[2] U.S. Department of the Interior, South Africa and Critical Minerals (1986) at 19.

South Africa is by far the leading producer of chromite ore in the non-Communist world. In 1986, world production (Communist and non-Communist) totaled an estimated 11,394,000 short tons gross weight. South Africa produced 3,840,000 short tons, or 34 percent of this total (and more than 50 percent of non-Communist production). Although many countries produce chromite ore to some degree, their ability to expand chromite production (and hence ferrochromium production for export to the United States) to replace that of South Africa is very limited due to their higher production costs; the time needed to develop new mines; and their limited infrastructures and reserves (South Africa, and neighboring Zimbabwe, contain over 90 percent of the world's known chromite reserves). Indeed, the U.S. Bureau of Mines has concluded that "it is unlikely that new chromite production capacity would be developed in market economy and socialist countries during a disruption lasting three years or less. Production from excess available capacity of the market economy and socialist countries would not be adequate to offset the significant chromium supply loss that would result from a total disruption of South African and Zimbabwean exports." 3/

U.S. DEPENDENCY ON SOUTH AFRICAN FERROCHROMIUM

In 1987, total U.S. imports of ferrochromium were 185,274 tons (chromium content). In that year, U.S. imports from South Africa totaled 114,682 tons (chromium content); that is 61.9 percent of total U.S. imports. These imports account for roughly one-half of estimated total U.S. consumption of 240,000 tons (chromium content). 4/

Given the significant dependency on South African ferrochromium, U.S. imports from South Africa could not be readily replaced by alternative sources of supply. The United States imports ferrochromium from several other countries, including Brazil, Finland, Greece, the Philippines, Turkey, Yugoslavia, and Zimbabwe. 5/ The volume of these imports from any one of these countries is small, however, in relation to the volume of imports from South Africa. 6/ Furthermore, the capacity of these countries to convert chromite ore to usable ferrochromium, in comparison to South Africa, is limited, and it would take several years for those countries to even approach that conversion capacity.

Moreover the ability of the United States to increase domestic production of ferrochromium to offset a disruption in shipments of ferrochromium from South Africa is severely limited. According to the Department of Commerce, four companies in the United States either produce or have the capability to produce ferrochromium. The economic viability of much of this capacity is questionable, however, because only one company is now producing ferrochromium, and it is doubtful that the other three could be brought into production without major costs. The Commerce study states, "[A]s a result of the limited refining capacity in the United States, and the fact that South Africa alone produces 60 percent of the world's ferrochromium, the U.S. current dependence on South Africa is significant." 7/ In any event, even if sufficient domestic conversion capacity existed, the domestic ferrochromium industry's ability to replace South Africa as a source of ferrochromium is contingent on the ability of the United States to import chromite. As noted above, most chromite originates in South Africa, and there is no prospect that the supply of or availability of non-South African chromite ore will increase to permit a significant increase in U.S. production of ferrochrome.

3/ U.S. Department of the Interior, South Africa and Critical Minerals (1986) at 20.

4/ Because of the voluntary nature of these reports, and the partial estimation of full-year data, such figures are somewhat understated.

5/ U.S. Department of the Interior, Bureau of Mines Minerals Yearbook, Chromium (1986).

6/ For example, in 1987, U.S. imports of ferrochromium from Zimbabwe, the second largest supplier to the U.S., totaled 29,990 tons (chromium content). U.S. ferrochromium imports from Yugoslavia, the third largest supplier to the U.S., totaled 11,067 tons (chromium content). Furthermore, if U.S. sanctions are imposed against chromium from South Africa, South Africa could prevent exports of chromium from Zimbabwe, which transships most of its exports through South Africa. Therefore, in a scenario in which sanctions are applied to U.S. imports from South Africa, access to supply from the United States' second-largest supplier, Zimbabwe, cannot be assured.

7/ U.S. Department of Commerce, U.S.-South African Mineral Trade (1986) at 6.

STAINLESS STEEL SCRAP AS AN ALTERNATIVE TO SOUTH AFRICAN CHROMIUM

The U.S. specialty steel industry is the nation's largest consumer of chromium, purchasing the material either in the form of ferrochromium or in the form of stainless and other steel scrap. For example, in 1986, the industry purchased approximately 256,000 tons of chromium; 68 percent in the form of ferrochromium and 32 percent in the form of various grades of stainless steel scrap. 8/

In that same year, the U.S. specialty steel industry consumed approximately 100,000 tons (chromium content) of ferrochromium from South Africa. If this supply were to become unavailable, U.S. producers would look to increased imports of ferrochromium from other countries and increased purchases of stainless steel scrap in the domestic market. For reasons provided above, other countries would be unable or unwilling to supply total U.S. requirements for ferrochromium. In fact, it is estimated that not even half of that short-fall could be offset by other countries. The balance would therefore have to be met by increased scrap purchases. The prospects here, however, are equally dubious given the limited availability of chromium-bearing scrap.

U.S. specialty steel producers purchased approximately 552,000 tons of stainless steel scrap, containing approximately 83,000 tons of contained chromium, in 1986. An expansion in demand for stainless scrap would be one immediate result of a supply disruption of ferrochromium from South Africa.

Specialty steel producers purchase scrap in one of two forms — prompt industrial scrap or obsolete/old scrap. Prompt industrial scrap is generated through industrial activity. Volume is unresponsive to any change in price. The supply of additional prompt industrial scrap is thus considered to be fixed and absolutely price-inelastic. Further, the supply of this type of scrap remains relatively stable over time.

The supply of old scrap, on the other hand, while it may be responsive to price changes, represents plant facilities that must be torn down and is therefore in limited supply. Indeed, the additional supply necessary to help offset a disruption in shipments of South African ferrochromium could probably only be generated through imposition of an export ban on scrap. Such a ban, even if complete, would increase the available supply of stainless scrap by about 172,000 tons (approximately 25,800 tons of contained chromium), or approximately 26 percent of the short-fall caused by the ban. 9/ At best, the stainless scrap alternative would have a marginal impact in alleviating the short-fall.

Furthermore, an increase in the old scrap supply — were it likely — could occur only in connection with a dramatic increase in purchase price, estimated at

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8/ In 1986 the industry consumed 287,711 short tons (gross weight) of high-carbon ferrochromium and 17,184 short tons (gross weight) of low-carbon ferrochromium as reported in Preprint from the 1986 Bureau of Mines Minerals Yearbook, "Chromium", U.S. Department of the Interior. The chromium content of this high-carbon ferrochromium, approximately 161,735 tons, was calculated by multiplying the gross weight, 287,711 tons, by 56 percent. This percentage represents the contained chromium. The chromium content of this low-carbon ferrochromium, 11,474 tons, was calculated by multiplying the gross weight, 17,184 tons, by 67 percent. This percentage represents the contained chromium. The industry purchased 552,000 short tons (gross weight) of stainless steel scrap in 1986 as reported in a preprint from the 1986 Bureau of Mines Mineral Yearbook, "Iron and Steel Scrap," U.S. Department of the Interior. The chromium content of this stainless steel scrap, approximately 83,000 tons, was calculated by multiplying the gross weight, 552,000 tons, by 15 percent. This percentage is the average contained chromium per ton of stainless steel scrap. Total contained chromium from high- and low-carbon ferrochromium and stainless steel scrap amounted to approximately 256,000 tons.

9/ The chromium content of stainless scrap is approximately 15 percent of gross weight.

approximately 156 percent over current levels.[10] Based on a weighted average price for stainless steel scrap of $638 per ton,[11] the resultant price increase is approximately $996 per ton. The domestic specialty steel industry could not afford a price increase even approaching this magnitude. Indeed, the total incremental cost of such a price increase could amount to as much as $720 million, taking into account the price increase on the amount of scrap currently consumed by the industry as well as any additional volume made available through a scrap export ban. Moreover, any estimate of increased costs may be conservative, because it does not take into account the fact that ferrochromium itself would command a higher price in the scenario described above.[12]

CONCLUSION

A disruption in the availability of chromite ore and ferrochromium from South Africa would be disastrous to the U.S. specialty steel industry. The industry has invested heavily to maintain its technological leadership and competitiveness in the face of growing imports. Its recent gains in financial performance, however, would be wiped out by a disruption of supplies from South Africa, given the dramatic increases in the cost of these essential materials that would ensue, or by the fact that adequate supplies of these materials do not exist elsewhere to meet the industry's needs. For these reasons, sanctions legislation against South Africa must provide for continued U.S. access to chromite ore and ferrochromium.

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[10] Assumes a price-elasticity of supply for scrap of 0.64. See A.D. Little Inc., Proposed Industrial Recovered Materials Utilization Targets for the Metals and Metal Products' Industries (1979) at 4-52.

[11] Based on a weighted average of the consumer buying prices for stainless steel scrap grade 304 bundles, solids, clips, turnings and grade 430 bundles, solids, turnings. Weights of 70 percent for 300 grades and 30 percent for 400 grades were taken from the American Iron and Steel Institute's report for 1986, as reported in American Metal Market's Metal Statistics 1987. Price data were taken from the American Metal Market, March 4, 1988, page 11.

[12] Industry experts estimate the price of ferrochromium would increase $800-$900 per ton if sanctions were imposed.

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STC
SUPERIOR TECHNICAL CERAMICS CORP.
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DATE: June 10, 1988

TO: The Committee on Ways & Means

FROM: Earlyn & Theodore Church
Owners of Superior Technical Ceramics Corporation,
a manufacturer of Industrial Ceramics.

REGARDING: HR1580 A Bill Relating To Proposed Sanctions Against South Africa

Our corporation imports 200 metric tons of Alumina Silicate Al, Si_4 O_{10}, commonly called "Lava" or "Wonder Stone" per year from South Africa.

STC is a small business employing 85 people in Vermont.

"Lava" is used in the manufacture of heliarc welding nozzles. Also, it is used as prototype material in high technology designs. Final use of these parts is in welding of airplane and ship bodies.

Another use of this material is in the manufacturing process of synthetic industrial diamonds. We provide the machined plates used in this process. Since the United States does not import diamonds from South Africa, it is important to supply our own source. Industrial diamonds are an important material in American manufacturing. Already we have been approached to share this technology with firms in South Korea.

The impact of a sanction on trade to our company would be one half of our sales: Two million dollars ($2,000,000). Also, 40 people from St. Albans would lose their jobs.

The impact on the United States manufacturing community of looking for alternative materials would hurt a far greater number of people.

The impact in South Africa would be that many blacks would lose their jobs as the mines are shut down.

Lava is a homely, grey, quarried stone with unique properties. To ban it's import cannot help black nor white in South Africa; it can only harm healthy United States small businesses like ours.

STATEMENT OF UNIVERSAL FRUTRADING COOPERATIVE LIMITED

Comments and Recommendations Regarding United States International Trade and Agricultural Issues with Particular Reference to the Prospects for Increasing Agricultural Exports Between the United States and South Africa

In accordance with the press release issued by the Subcommittee on Trade of the Committee On Ways and Means on June 2, 1988, the purpose of this memorandum is to provide comments and recommendations on the issue of additional economic sanctions against South Africa. At the outset, we wish to confirm our support for the continuing efforts of the members and staff of the committee to resolve the problems in this area. The committee is, of course, fully aware of the difficulties which continue to arise from the use of sanctions as a method of resolving international problems.

American farmers, though strong defenders of free trade, have repeatedly been the victims of embargos placed on United States agricultural exports, and the targets of retaliation by other countries involved in international trade disputes with the United States.

American farmers were the victims of President Carter's decision to impose a grain embargo on United States agricultural exports to the Soviet Union in retaliation for the Soviet invasion of Afghanistan. Unfortunately, rather than punishing the Soviet Union and hurting the Soviet economy, the grain embargo created rifts in the Western alliance, demonstrated that the United States was an unreliable supplier, and added to American farm surpluses as the Soviets sought out other supplier countries for their purchases of agricultural commodities. Argentina and Canada became the major beneficiaries of the American grain embargo.

Similarly, when the United States has unilaterally imposed restictions on international trade, American agriculture has often been one of the first sectors of the American economy to be adversely affected.

In recent years, private sector American agriculture has experienced its most difficult period of adjustment since the great depression of the 1930's. For many American farmers, foreign markets have disappeared, land values have fallen, and loans have become increasingly difficult to obtain and to service. Although United States agricultural exports reached a level of $43.8 billion in 1981, they declined to $26.6 billion in 1986, with only a slight upturn to $29.1 billion in 1987.

As was the case under the American grain embargo against the Soviet Union, United States sanctions against South African agricultural exports, provided for in the 1986 legislation, have had unintended consequences. American agricultural exports to South Africa have declined from a high of $483 million in 1984 to the present level of $55 million in 1987, half of the value of exports in the lowest year of previous ten years. Furthermore, this has affected U.S. agricultural exports to a country that was becoming an increasingly loyal customer. In corn, for example, South Africa went from importing 146,000 bushels in 1983-84 to 2.67 million bushels in 1984-85. In the 1983-84 season only 22 percent of their corn exports came from the United States but in 1984-85, even at higher import levels, this figure increased to over 90 percent from the United States. It is not surprising, however, that under present circumstances there is strong pressure within the South African agricultural community not to buy American agricultural products.

Under present circumstances, it is unrealistic to expect a restoration of United States agricultural sales to South African in the absence of some reciprocity. Ironically, one of the major beneficiaries of sanctions on the importation of South African agricultural products has been, in the case of deciduous fruit, Chile, a result hardly likely to have been desired by the Congress. Furthermore, with United States exports to South Africa declining, other countries, notably the European Economic Community, have been taking advantage of the situation to displace American agricultural exports to South Africa.

Previous Efforts Involving United States International Trade Law Directed to Promoting Human Rights in Other Countries

Based on the considerations noted above, it is suggested that it might be useful and timely for the United States Government, even at a time that it is considering imposing further economic sanctions on South Africa, also to consider other means of accomplishing the original objectives of the United States Comprehensive Anti-Apartheid Act of 1986. For this purpose, it is recommended that a more flexible system of sanctions might address the problems of apartheid on an industry, product or sector basis rather than across-the-board country-wide sanctions. Such an approach could help to end apartheid without jeopardizing the interests of private sector American agriculture and private sector South African agriculture where it could be demonstrated that a specific economic sector has a documented positive record on human rights.

Such an approach has been used in the past. For example, under current United States international trade law, non-market economies are not generally provided most-favored-nation duty rate treatment for imports into the United States. Section 231 [b], however, enacted as an amendment to the Trade Expansion Act in 1963, permitted the President, in effect, to allow nondiscriminatory treatment for Poland and Yugoslavia.

Similarly, under Title IV, Section 402 [a] of the Trade Act of 1974, as amended, the so-called Jackson-Vanik Amendment, allowed the President to waive the prohibition on nondiscriminatory treatment (most-favored-nation treatment) if the President determined and could document in detailed fashion a positive human rights record for a particular country. Thus Poland had MFN status, lost it after the crackdown on Solidarity, but recently regained it. Similarly in recent years, Romania has been the subject of both Congressional and Executive review under these waiver provisions for its human rights practices.

Options Available Under Current United States International Trade Law Designed to Promote Democratic Social Change In South Africa

Based on the precedents noted above, it is suggested that a more selective approach to United States sanctions on South African exports might produce similar beneficial results in bringing about needed changes in South Africa. Such a flexible approach could bring about a more positive response from South African private sector interests, which might then result in producing more pressure within South Africa to persuade the South African Government to end apartheid. For example, in August 1985, a group of South African businessmen (including Gavin Relly, the Chairman of Anglo-American, the country's largest private sector enterprise) visited Zambia to meet with Oliver Tambo, the President of the African National Congress. The following month, 90 South African companies signed an advertisement entitled "There is a better way," which called on the South African Government to end discrimination, to negotiate with black leaders, and to grant full citizenship to blacks.

The approach which is recommended in this brief is entirely consistent with the objectives of the 1986 Act which provides for aiding individuals or groups in South Africa whose goals are to aid victims of apartheid or foster nonviolent, legal or political challenges to the apartheid law.

It is suggested that it would now be useful and appropriate to employ a carrot and stick approach utilizing past precedents for present purposes. During the floor debate on the Jackson-Vanik Amendment, support for this principle extended across the political spectrum. It is noteworthy that Congressman Ronald Dellums also supported the principle:

> "This amendment strengthens our commitment to human rights and our sense of responsibility in human affairs. In my opinion, the principle on which the amendment is based should be extended to our entire foreign policy." (Emphasis supplied)

We submit that the South African deciduous fruit growers represent precisely the type of progressive industry which should be exempted from the ambit of the 1986 legislation or indeed any additional sanctions. It has clearly demonstrated a very positive record on human rights for many years. It has provided a higher quality of life while at the same time expanding economic and educational opportunities for employees and others associated with the industry. Its fruit enters the American market during the offseason for American growers, and thus does not compete with American producers. As in the past, under established principles in this area, by utilizing international trade concessions for the specific purpose of encouraging the attainment of a certifiable standard on human rights, it should be possible to encourage the desired social liberalization within South African while at the same time promoting other important United States interests. This would result in a clear choice for South African business leaders: if they want access to the United States market, they must demonstrate a positive record on human rights.

The South African Deciduous Fruit Industry is a Labor Intensive Industry which is Vital to the Prosperity of Blacks in South Africa

The South African deciduous fruit industry is heavily labor intensive, with more than 91 percent of those in the industry either black or coloured. The predominance of blacks in the industry is clear from the fact that there are 18,600 white employees and 213,000 blacks. Blacks are a small but increasing element among the growers.

The industry is highly export oriented, with some 70 percent of the production destined for overseas markets. Thus the workers are deeply and disproportionately dependent on exports. Some 15 percent of the fruit production is at risk due to sanctions.

Sanctions have already had a disproportionate effect on the very victims of apartheid which the 1986 Act sought to help. As a result of sanctions, the packing and other processes have been mechanized, leading to a loss of 30,000 black jobs. Recent studies have shown that the average household size of a factory worker in the industry is 6.2, and of the average farm worker 7.5. Taking an average of these two figures, it is only too likely that more than 200,000 black people could be affected by current agricultural sanctions. As best we can determine, no whites have lost their jobs.

Affirmative Action in the Industry

The industry has made significant efforts, going back to the 1970's to design an affirmative action program to bring black employees into skilled and management positions. Its success, in terms of the job responsibilites of black managers and workers, has been notable, as the attached brief fully documents. Similarly, it it clear that the training, opportunity and personnel policies throughout the industry reflect growing dependence on black skills.

Combined with this emphasis on recognition and promotion in the workplace, regardless of colour, there have been heavy social expenditures on facilities for the whole deciduous community, much of it funded by the industry itself, which are detailed fully in the attached submission.

The deciduous fruit industry represents the major, sometimes the only form of employment for black people in the Cape province. If jobs were to be lost, workers would have little alternative but to join the migration of those looking for employment in the towns and cities. What this means in practice is indicated by a survey done on the shantytown Crossroads just outside Cape Town. Crossroads was estimated at the time of the survey to have 47,572 residents, probably an underestimate. In the entire squatter camp there were twenty taps. The residents were largely housed in 2,200 numbered shacks, but the study indicated an average number of people in each shack of 13, which indicates that a large number of people simply lived under plastic shelters.

It is not difficult to demonstrate the implications of the loss of jobs in the deciduous fruit industry, and it is hard to see why one should expect better conditions if sanctions prevail. Indeed, it is apparent that sanctions have already driven thousands of black workers into the slums.

In summary, the deciduous fruit industry has had a notable human rights record, which has been characterized by attention to all those areas of conduct which Americans rightly emphasize, and which is central to the welfare of black people in the rural areas of the Cape Province. It is submitted that the industry is neither a legitimate nor an appropriate target of U.S. efforts to bring the South African Government to a recognition of its responsibilities.

The Legislative History of Sanctions Indicates that Its Underlying Objectives have not been Realized and that the Legislation May have had Unfortunate Results Both in the United States and in South Africa

The 1986 Act was enacted into law in October, 1986, over the President's veto and by large majorities in both Houses. It was enacted at a time of rioting, loss of life and civil disturbance in South Africa which raised apprehensions in the United States of an imminent catastrophe, which could affect U.S. interests.

Sanctions and the override of the President's veto were supported despite a widespread recognition of what the manager of the legislation in the Senate, Senator Richard Lugar, quoting the London Economist, called the "dismal record" of sanctions.

He was supported in this view of sanctions by the Ranking Democrat on Senate Foreign Relations Committee, now the Chairman of that Committee, Senator Claiborne Pell. In fact, Senator Pell, in supporting the sanctions legislation, expressed a view that was widely echoed throughout the floor debates in both the House and Senate, even by Republican leaders, that this legislation had become necessary because of the perceived failure of the Administration to provide decisive and moral leadership in opposing the policies of the South African Government, but he himself doubted the wisdom of sanctions.

In the Urgency of the Matter, the Economic Implications of the Legislation were not Fully Examined

It is understandable, in the light of the speed with which this legislation was considered and implemented, that there was no thorough consideration of its economic effects. Nor is it surprising, given the changes made in the legislation on the floor of the Senate, that there were wide discrepancies in the assessment of its effects, even by senior members of Congress.

The Sanctions Legislation Failed to Take into Account Warnings on the Economic Effect on United States Agriculture

Nonetheless, considerable anxiety was expressed about the possible impact on U.S. agriculture. It is significant that the original legislation, reported 15-2 out of the Senate Foreign Relations Committee, contained no sanctions on agriculture. When the Senate passed the Kennedy Amendment to match the sanctions that were expected to be enacted by the Common Market, a measure which included total agricultural sanctions, a number of members were fearful about the possible impact of the measure.

The President and the Executive Director of the 4000 member Kansas Association of Wheatgrowers sent a message, indicating their anxiety that any embargo would cause enormous damage to the United States reputation as a reliable supplier of wheat. Similarly, the Oklahoma Farm Bureau noted its policy that "we oppose any export restraints... except where national security requires such action." Mr. Dean Kleckner, President of the American Farm Bureau Federation, noted that, while the short-term trade loss of trade embargoes was always disturbing, the long-term effect was even worse.

In the event, these forecasts of adverse affects to the American farmer have been unfortunately borne out in practice, with U.S. agricultural exports at a level half that of the worst year in the last ten years.

The Congress Understandably Found It Difficult to Assess the Wishes of South African Blacks or the Impact Upon Them of Sanctions

The inability of black South Africans to exercise the vote and so to express their views on such matters lay, of course, at the heart of the debate, and members of Congress were therefore obliged to try in some other way to discern the wishes of blacks. They tended to argue that, because certain black leaders or black organizations either opposed or supported sanctions, this reflected black opinion.

Testimony taken more recently by the House Foreign Affairs Committee in connection with further proposed sanctions against South Africa, has provided a sharply different picture from that presented to the Congress in 1986. Mr. John Kane-Berman, Executive Director of the South African Institute of Race Relations, a liberal organization best known for its systematic documentation of the effects of apartheid, made a careful tabulation of 14 opinion polls of black opinion over the last three years. The polls were taken by a variety of organizations and individuals, of differing viewpoints, but all but one of the 14 recorded a majority of blacks opposed to sanctions, particularly if there were any danger that their jobs could be lost.

This view was confirmed by another witness before the same subcommittee, Dr. Merle Lipton, author of Sanctions in South Africa, an authoritative special report published by the London Economist's Intelligence Unit. She noted that the pattern in all the polls is a consistent one: approximately one-quarter of all blacks surveyed are in favor of sanctions whatever the cost to the country or to themselves. Another one-quarter are against sanctions under any circumstances. Finally there is a middle group of approximately 50 percent who broadly favor pressure, but are against sanctions if they should have any ill effect on blacks, particularly in terms of black employment.

In short, the evidence that blacks in South Africa do not support sanctions would appear to be overwhelming, and this fact in itself may require a revision of the views of many of those in Congress who supported sanctions.

There has also been a reassessment of sanctions, among many blacks in South Africa. In March 1987, the Reverend Reverend Allan Boesak said that what he had hoped for was "quick and effective sanctions... but not a long, drawn-out disinvestment that goes on over five, six or seven years and in the end leaves us with an economy that is a wasteland."

The significance of these comments is heightened by the testimony given to the Africa Subcommittee and the Subcommittee on International Economic Policy and Trade on March 22-23, 1988, which suggested that, to be effective, sanctions might have to be kept in place for another ten years or more.

The Evidence Suggests that Sanctions Have Failed or May Even Have Been Counterproductive

Finally, in assessing further action, the Congress will want to take into account the effects of its previous action. These can be summarized briefly below:

1) Reform has virtually come to a halt. The hope on the part of those advocating sanctions was that it would spur the process of reform in South Africa. Although skepticism was expressed by many as to the reforms actually implemented up to that time, even supporters of sanctions acknowledged that genuine changes had been made. A number of them recognized the significance of the abolition of the pass laws, the repeal of the Mixed Marriages and Immorality Acts, the massive increase of funding for black education, and the recognition of the black trade unions. But some concluded that these changes had been made in response to the sanctions adopted by the President in 1985, and argued that more sanctions would lead to more reform.

In fact, as black columnist William Raspberry put it in the *Washington Post*:

> "Have economic sanctions against South Africa backfired? Probably yes...
>
> ....[T]he clear evidence is that Pretoria's principal reaction to international sanctions has been what seasoned observers of South Africa have long predicted: a white retreat into the laager -- circling of the wagons -- and an end to any pretense of serious reform..."

2) U.S. leverage has been almost lost. The United States has been, until recently, a positive force for change in

South Africa. It was the Reverend Leon Sullivan who established the first Code of Corporate Conduct there. It was an American corporation, Kellogg, that was the first company in South Africa to recognize a black trade union. It was an American organization that was the first educational charity to operate in South Africa with a non-racial board of directors.

Unfortunately, the results have justified the apprehensions expressed by the Administration at the time that sanctions were imposed. Mr. Charles Freeman, Deputy Assistant Secretary of State for Africa, stated at recent hearings on proposed economic sanctions that the U.S. relationship with South Africa had now settled into "a deep chill" which seriously affects the ability of the U.S. Government to influence the country.

3) Measures were not precisely targeted on the South African Government but seriously hurt blacks. Although the original intention underlying the 1986 Act was to target measures on South African Government, many amendments fell with particular severity not on that Government at all, but on the very people that members of Congress wished to help, and in particular on heavily labor-intensive industries like coal, textiles, and deciduous fruit.

4) Sanctions led to the growth of the extreme right which could defeat the present government. One of the most distressing consequences of sanctions has been that they have strengthened the ultra-conservative forces of whites opposed to reform. In May, 1987, at the election for the white Parliament, there was a sharp swing to the right. The strongly reformist Progressive Federal Party lost a number of seats, and was replaced as the official opposition by the unabashedly racist Conservative Party. In recent elections, extreme right-wing Conservative Party candidates have been returned to power by majorities sharply increased even since May 1987. As one long-time academic observer, Professor Robert Rotberg, commented in the Christian Science Monitor, March 16, 1988: "The by election voting patterns of whites in 1987 and 1988 also suggest the possibility of further right wing defections from the National Party and a possible rout in the next general election. That poll could come as early as 1989."

Conclusion and Recommendation

Based on the points, authorities and considerations set forth in this brief, it is suggested that the 1986 Act has already resulted in a substantial reduction of American agricultural exports to South Africa. American farmers have once again become the victims of a policy which effectively reduces American agricultural exports without necessarily accomplishing the policy objectives for which the sanctions were intended. It is clear that the 1986 Act has not fulfilled the expectations of its sponsors who had hoped that such an approach would bring an end to apartheid.

Based on the considerations set forth in this brief, it is urged that it is now time for the United States Congress to begin refining economic sanctions. The South African deciduous fruit growers could serve as a very good example of the kind of industry that should be excluded from United States sanctions in order better to promote the original objectives of the Act. Such an approach would also communicate to black South Africans the continuing concern of Americans to help them. It would show that the Congress is prepared to do what is necessary to grant access to the United States market where it could be documented that a particular private sector economic group has a positive record on human rights within South Africa.

By recognizing and encouraging those industries in South Africa which can clearly demonstrate an exemplary record of concern for and action in support of human rights, new pressures for change would be introduced. By providing a carrot as well as a stick, such a very specific, selective and limited change would help to encourage individual freedom for blacks in South Africa by restoring positive economic incentives to progressive private sector interests which could meet these standards.

[ATTACHMENTS TO THIS STATEMENT ARE BEING RETAINED IN THE COMMITTEE FILES.]

June 15, 1988
(Doc. 1.21 msm)

Honorable Dan Rostenkowski
C/O Robert G. Leonard
Chief Tax Counsel
1102 Longworth HOB
Washington, D.C. 20515-6348

Dear Mr. Leonard:

I am writing you concerning the anti-apartheid amendments of H.R. 1580; specifically two of the provisions of Section 3 which would provide for an embargo of South Africa from receiving any U.S. manufactured oil-field equipment and prohibit the issuance of U.S. leases to a U.S. company which is controlled by a foreign person whom holds investments in South Africa.

Without qualification I am and will remain against the South African practice of apartheid. However, the contents of Section 3 noted above are little more than arbitrary restrictions of trade and/or investment which would have no impact on the fundamental foundations of apartheid. These provisions would only serve to negatively impact the U.S. based oil service industry and major U.S. operating companies.

In the case of the oil service industry, the barring of U.S. companies would simply open a broader share of the South Africa market to foreign enterprises based in England, West Germany, France, Norway, Italy, Japan, Canada and Brazil. In essence, it amounts to nothing more than a transfer of business opportunity away from U.S. companies. It would certainly not limit the availability of modern oil and gas producing technologies to South Africa as these technologies are now available from concerns worldwide. The proposed embargo would have a greater impact on the U.S. balance of payments than on apartheid. Where do our interests really lie?

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As for the prohibition of granting U.S. leases to U.S. companies controlled by foreign interests with investments in South Africa, again a counter-productive measure. One such company (Shell Oil Co.) has estimated the impact of this provision would immediately result in the elimination of 700 of their current employees, 1500 employees of oil service companies who work in support of their U.S. operations and potentially an additional 5,200 employees in other economic segments in support of the oil service companies. By not granting them U.S. leases the potential cost is 7,400 U.S. jobs. What is the estimated impact on the practice of apartheid by the South African government; if any?

Mr. Leonard, it seems rather obvious that these amendments are either not the products of a thorough process of analysis, or are the products of political minorities whom have no appreciation and/or concern for basic economics.

I believe Mr. Rostenkowski should surface these economic considerations and urge his associates in Congress to deal with reality as opposed to political whim in gaining ground against apartheid in South Africa.

Sincerely,

B. T. Reinhold

B. Terry Reinhold
Director, Marketing

BTR/rw

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Direct Dial

June 15, 1988

Hon. Dan Rostenkowski
C/O Robert G. Leonard
Chief Tax Counsel
1102 Longworth HOB
Washington, D.C. 20515-6348

Dear Congressman Rostenkowski:

I am writing your to urge that the portions of Section 3 of H.R. 1580 dealing with prohibition of furnishing oilfield equipment and services be removed. Our industry has seen the effect of this type of legislation before, foreign based suppliers cheerfully fill the void created by our forced withdrawal from a market and no discernible progress is made toward achieving the avowed purpose of the sanctions.

Apartheid is wrong. So are misguided sanctions, they end up hurting U.S. workers and benefiting foreign manufacturers.

Yours very truly,

James M Tidwell

James M. Tidwell
President

/rlg